

CONGRESSIONAL DIGEST

PRO & CON

February, 1935

Compulsory Unemployment Insurance

Review of Efforts to Enact Legislation

Contrasting State Plans - Wisconsin, Ohio

Plans Established Under Private Initiative

Foreign Compulsory and Voluntary Systems

President Roosevelt's Message to Congress

Details of Administration's Compulsory Bill

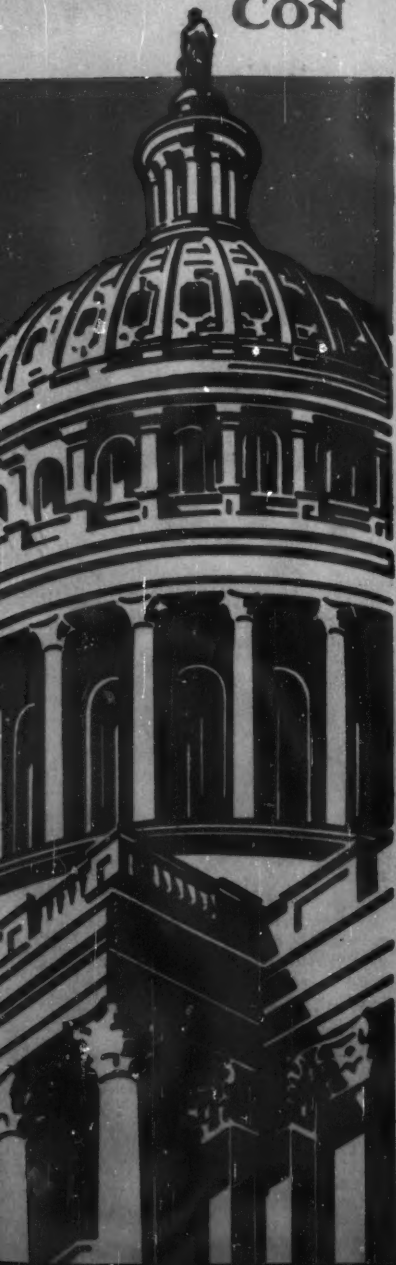
Should U. S. Establish a Compulsory System?

Discussed Pro and Con by
Industrial & Labor Leaders, Economists, Lawyers



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Compulsory Unemployment Insurance

Foreword

LAST JUNE, President Roosevelt in a message to Congress announced that he would ask the next Congress to enact legislation to carry out his program for economic security.

Shortly afterward the President appointed a Committee on Economic Security and instructed it to make a study of the subject and present to him a report on December 1, 1934, to be used as a basis for his recommendations to Congress.

Miss Frances Perkins, Secretary of Labor, was named chairman of the committee, which included in its membership the Secretary of the Treasury, the Attorney General, the Secretary of Agriculture, and the Federal Emergency Relief Administrator.

Miss Perkins appointed, as secretary and executive director, Dr. Edwin E. Witte, chief of the Wisconsin State Legislative Reference Service who was instrumental in drafting the Wisconsin Unemployment Insurance Act, to supervise the studies and the preparation of the report.

As outlined by the President, the Economic Security Program covers four major projects—unemployment insurance, old age pensions, aid for needy children and health insurance.

The Committee made studies of all of these subjects and filed its report with the President early in January, 1935, one month behind schedule, the delay being due to differences of opinion among members of the Committee over several points in the report, which differences were finally ironed out.

On January 17, the President sent a message to Congress, accompanied by the Committee report, and asked that legislation to put the program into effect be promptly enacted.

Senator Robert F. Wagner of New York and Representative David J. Lewis of Maryland, co-authors of the Wagner-Lewis unemployment insurance bill, which passed the Senate but not the House in the Seventy-third Congress, introduced in the Senate and House the Administration measures within a few minutes after the President's message had been read.

The Wagner bill was referred to the Senate Committee on Finance and the Lewis bill to the House Committee on Ways and Means, because the bill provides for a tax and therefore go to the committees to which all revenue raising measures are referred.

Up to the last minute the Administration was undecided as to whether to recommend the consideration of each of the four points in the President's program in four separate bills. It was finally decided to cover them all in one bill.

There is still a possibility, however, that the Wagner and Lewis bills will be broken up into four parts.

To be effective, that part of the bill dealing with unemployment insurance must be acted upon promptly by the House and Senate, since it provides, not for a purely Federal unemployment insurance system, but for a combined state and Federal system.

Forty state legislatures are either in session or will soon be in session and the desire of the Administration is that Congress pass a bill so the state legislatures will have an opportunity to act upon it before they adjourn.

In many of the states the legislatures meet biennially, instead of annually, and if they do not act on unemployment insurance legislation this year they will not be able to consider it until two years hence, unless special sessions are called for the purpose.

This condition strengthens the possibility that unemployment legislation may be separated from the rest of the economic security legislation and considered by itself.

How strong the opposition to the economic security bill will be cannot be foretold until it develops in the committee hearings. If it appears to be of sufficient force to delay action on the bill as a whole, the leaders will probably find it advisable to take out those features of the bill which are least controversial and put them through as separate measures.

This number of the *Digest* deals solely with the unemployment insurance provisions of the bill. The old age pension provisions will be dealt with in the March number.

Bills providing for Federal unemployment insurance first appeared in Congress in 1916, but made no headway. The history of state and Federal efforts on the subject will be found in the chronology beginning on page 37.

Wholesale unemployment in various foreign countries incident to economic depression following the world war led to the development of various types of unemployment insurance systems, some voluntary and some compulsory.

In England, where a compulsory system covering a few industries had been instituted in 1911, unemployment insurance was extended to cover practically all industry.

Continued unemployment in America gave impetus to the movement in this country, culminating in the pending legislation.

As explained by Senator Wagner in his article on page 45 the provisions of the Economic Security Bill covering unemployment insurance do not contemplate a Federal system. They provide for state systems with Federal aid.

The states are left to enact their own compulsory insurance laws but they are prohibited from participating in Federal aid unless those laws meet the requirements of the Federal Act.

Aside from the direct appropriations from the Federal Treasury for aid to state insurance boards, the money necessary to provide funds from which the unemployment insurance benefits are to be paid comes from the Federal tax on payrolls. When these taxes are collected, the Federal Government will hold out 10 per cent to cover expenses of collection, etc., and will return 90 per cent to taxed employers who have established unemployment insurance systems under state laws that are in line with the Federal requirements.

While proponents of a compulsory unemployment insurance law are frank to state that such a law will not prevent unemployment, they maintain that it will go a long way toward the stabilization of labor in industry and will lessen the burden of direct public relief in periods of economic depression.

To begin with, the term "Unemployment Insurance" is erroneous, as applied to what is sought to be accomplished in the pending legislation, which does not seek to insure against unemployment, but simply to compensate for a limited period, an employed person who becomes unemployed.

So extensive is the acceptance of the term "Unemployment Insurance" in connection with the question, however, that the *DIGEST* employs it in this number as meeting the popular understanding of the term.

Study Outline

For class room consideration of the proposed unemployment insurance legislation, a simple bill may be drawn after reading Senator Wagner's article explaining the provisions of his bill. (See page 45.)

For debaters, Samuel W. Reyburn, president of the Associated Dry Goods Corporation, of New York, and chairman of the Retail Merchants' Committee, has summarized the basic arguments for and against compulsory unemployment insurance as follows:

Arguments For

American civilization with its democratic ideals accepts the axiom that the life, health and welfare of its members should be the chief concern of society.

Unemployment has existed as a permanent aspect of industrial conditions, sometimes reaching huge dimension. It will most likely continue to exist under our form of industrial organization for years to come.

Unemployment is accompanied by evidences of human suffering, injurious effects upon physical, mental and moral health, breakdowns of family life and deterioration of behavior standards.

Private philanthropy and public relief, local and national, must be maintained, but in times of depression and widespread unemployment, they are without the organization and the means to be sufficiently effective. Also such relief causes the recipient to lose pride, courage and initiative. A study of the efforts which have been made

in various countries to meet the emergencies in times of distress shows that they are directed to increasing employment through "public works" and other "made work," even when such constructive work is not based on economic principles. The underlying purpose is that it is better to make the recipient work than to support him in idleness. But at no time and in no country has this method alone succeeded in reemploying all the unemployed.

Consequently it is believed that some form of employment insurance paying benefits to those involuntarily unemployed should supplement other methods. Insurance against unemployment is not a new theory. It has its history and experience in this as well as in other industrial countries. In its simplest form it is an arrangement between a group of wage workers—all subjected to the unemployment hazard—that the group compensate the individual who has suffered the loss.

Since such insurance has been the great handicap that the wage working group is too poor and too weak to carry the burden, larger circles of society must share in it. The experience of other countries, in Europe, show that the application of unemployment insurance remains extremely limited when left to the wage worker himself. Only through a system of legal compulsions can the benefit of the insurance method be made universal and at the same time a part of the cost shifted upon employers and the community as a whole.

Finally it is urged that a workable system of unemployment benefits can be drafted that will combine the best features in the various types of proposed legislation and spread the burden equitably over all classes.

Arguments Against

The large scale unemployment now prevalent does not make this an appropriate time to inaugurate a system of permanent Unemployment Insurance. To attempt to establish such a system at this time involves disappointment to those who believe that Unemployment Reserves will solve the problem of unemployment and would constitute a burden on the cost of doing business which industry is not prepared to shoulder.

The theory of Unemployment Insurance erroneously assumes that such risks are feasible from an actuarial point of view. It is believed by many students of the question that if such an insurance structure were actually built it would be bound to collapse, as it has in other places, and would injure industry, impair government finances and disappoint workmen.

If benefits are liberal the result may be to stiffen unduly the wage structure and thus by reducing the flow of goods, may tend to reduce the real purchasing power instead of increasing it. Also, they may encourage idleness in some workers.

The investment of the reserve fund involves difficult technical questions. As Professor Clarke has recently pointed out: "The final handling of the reserves and the methods of realizing on them when benefits are to be paid, may defeat any purposes of stabilizing general purchasing power."

Unless States, at the same time, adopt uniform methods, industry, commerce and labor may suffer injustice.

The fact that employers and employees who contribute to the reserve fund will later, as ordinary taxpayers, be required to take care of the needy that are not insured.

Efforts to Enact Unemployment Insurance Legislation in the United States

1914—The U. S. Commission on Industrial Relations appointed by President Wilson in 1913 to study industrial conditions throughout the country made a report in which it recommended the study and preparation of plans for insurance against unemployment "in such trades and industries as may seem desirable." The Commission went out of existence in 1915.

1916—In January, what is considered the first legislative unemployment insurance bill ever proposed in the United States was introduced in the Massachusetts House. This bill was the joint product of the Massachusetts Committee on Unemployment and the American Association for Labor Legislation. Committee hearings were held, but no action was taken. The legislature, however, passed a resolution for the appointment of a joint legislative and executive commission to study general labor conditions.

In this year, also, the first company unemployment benefit plan ever established in the United States was set up by the Dennison Manufacturing Company, of Framingham, Massachusetts. Operation of this plan and operation of an unemployment guaranty plan, set up in 1931, were suspended in 1932.

1916—In February, Representative Meyer London, N. Y., Socialist, introduced in the U. S. House of Representatives a resolution "for the appointment of a commission to prepare and recommend a plan for the establishment of a national insurance fund and for the mitigation of the evil of unemployment." This bill, the first piece of Federal legislation for unemployment insurance, was referred to the House Committee on Labor, which held hearings but made no report.

Supporters of the London resolution always attributed its death in committee to the opposition of the late Samuel Gompers, then President of the American Federation of Labor.

As the result of this opposition all concerted efforts to obtain Federal unemployment insurance legislation were virtually suspended for a period of ten years or more. Occasional bills were introduced in Congress, but no real effort was made to press them.

1917—In February, the Massachusetts Joint Legislative and Executive Committee on Labor Conditions made a report favoring the establishment of state employment bureaus, but making no recommendations on unemployment insurance. Two members of the Commission, however, filed a minority report recommending the passage of unemployment insurance legislation. The Legislature took no action.

The first unemployment insurance bill was introduced in the New York Legislature by Representative Orr, Socialist. The Orr bill and similar bills introduced in the

New York Legislature by Representative Cuvillier in 1926 and 1927 were held in committee without action.

1919—From this time down to date various company and joint agreement plans for unemployment-benefits and insurance were set up throughout the United States marked by varying degrees of success. (See article on page 38.)

1921—The famous Huber bill was first introduced in the Wisconsin Legislature by Senator Huber, providing for compulsory unemployment insurance. The Huber bill was held in committee. With various amendments, the Huber bill was reintroduced in 1923, 1925 and 1927. In 1925 it was reported but was beaten in the Senate. In 1927 it was beaten in the House.

1922—In January, Representative Henry L. Shattuck introduced in the Massachusetts House a bill providing for unemployment insurance. The bill was referred to a special committee, which unanimously reported against the measure. The Massachusetts House approved the committee report.

1923—For the first time an unemployment insurance bill was introduced in the Minnesota Legislature. It was reported from the committee, but the committee report was rejected. This action was repeated in 1925 and again in 1927.

1927—A compulsory unemployment insurance bill was introduced in the Connecticut Legislature by Representative Steiber, Socialist. The House Committee on the Judiciary gave the bill an adverse report and the bill was rejected by the House.

1928—On May 3, the Senate adopted S. Res. 219, 70th Congress, 2nd Session, introduced by Senator James M. Couzens, Mich., R., directing the Senate Committee on Education and Labor to make an investigation of the causes of unemployment and methods for its relief, including unemployment insurance.

The study was conducted by a subcommittee of the Committee on Education and Labor, composed of Senator Couzens (chairman), Phipps, Colo., R., Tydings, Md., D., Walsh, Mass., D., and Sheppard, Tex., D., assisted by Dr. Isador Lubin, then a member of the Institute of Economics of the Brookings Institution, and now Chief of the Bureau of Labor Statistics, U. S. Department of Labor.

Exhaustive hearings were held during December, 1928, and January and February, 1929. On the question of unemployment insurance the committee reported as follows:

"We think it is generally agreed by the witnesses that at the present time the following conclusions would be drawn from the evidence:

"1. Government interference in the establishment and direction of unemployment insurance is not necessary and not advisable at this time.

"2. Neither the time nor the condition has arrived in this country where the systems of unemployment insurance now in vogue under foreign governments should be adopted by this Government.

"3. Private employers should adopt a system of unemployment insurance and should be permitted and encouraged to adopt the system which is best suited to the particular industry."

1930—Senator Robert F. Wagner, N. Y., D., introduced in the Senate a bill to allow employers to deduct from their income tax returns funds which they had contributed to unemployment reserve systems, but no action was taken on the bill.

1931—Senator Wagner introduced a resolution for the investigation, by the Senate, of unemployment insurance. In response to this resolution adopted on February 28, the Senate appointed a committee of three, composed of Senators Felix Hebert, R. I., R., chairman; Otis F. Glenn, Ill., R., and Senator Wagner. During the summer both Senators Hebert and Glenn visited England and European countries to study their systems. In September hearings were held by the committee in Washington, and, in December, the committee report was filed. Senators Hebert and Glenn opposing the passage of unemployment legislation and Senator Wagner filing a minority report supporting it.

During this period Senator Wagner introduced a number of bills designed to alleviate unemployment.

In 1931 also, the movement for the enactment of unemployment insurance legislation became active in various state legislatures, marked by the introduction of many bills. In a number of states commissions were appointed to study the subject.

1932—On January 28 the Wisconsin Legislature passed an Unemployment Insurance Law, effective July 1, 1933. An amendment adopted early in 1933 postponed the effective date, which was finally fixed as July 1, 1934, (see page 37).

1933—On March 20 Senator Wagner reintroduced his bill to encourage unemployment insurance legislation in the states. Representative David J. Lewis, Md., D., introduced a similar bill in the House.

On March 31, at a conference of labor leaders in Washington, Miss Frances Perkins announced, in behalf of President Roosevelt, that unemployment insurance legislation would be an important feature of the Administration's legislative program.

1934—On February 5 Senator Wagner, in the Senate, and Representative Lewis, in the House, introduced the Wagner-Lewis unemployment insurance bill. This bill provided for the levying of a 5 per cent tax on payrolls of industry, against which a credit was to be allowed for contributions to unemployment insurance funds under state laws.

On March 23 President Roosevelt wrote to Chairman Doughton of the Ways and Means Committee expressing the hope that the Wagner-Lewis bill would be passed at that session. No further pressure was exercised by the Administration, however, and on June 8 the President sent a message to Congress in which he announced that

during the following session he would present a comprehensive plan for economic security.

On June 29 President Roosevelt, by executive order, created the Committee on Economic Security to study and report to him on methods to carry out the Administration's plans for "the security of the men, women and children of the nation."

The members named on the Committee were:

The U. S. Secretary of Labor, Miss Frances Perkins, *chairman*; the U. S. Secretary of the Treasury, Henry Morgenthau; the U. S. Attorney General, Homer S. Cummings; the U. S. Secretary of Agriculture, Henry A. Wallace, and the Federal Emergency Relief Administrator, Harry L. Hopkins. Secretary and Executive Director of the Committee, Dr. Edwin E. Witte. Counsel, Thomas H. Eliot, Associate Solicitor of the Department of Labor.

On November 14, in response to a call from the Committee, a National Conference on Economic Security met in Washington. Addressing the delegates, the President stated that unemployment insurance should be developed along a Federal-State plan.

On January, 5, in his annual message to Congress, the President announced that he would shortly lay before Congress a complete program for economic security.

On January 17 the President forwarded to Congress the full report of the Committee on Economic Security, accompanied by a message recommending the enactment of legislation for (1) unemployment insurance; (2) old-age pensions; (3) Federal aid to dependent children, and (4) additional Federal aid to state and local public health agencies.

On the same date Senator Wagner, in the Senate, and Representative Lewis, in the House, introduced bills to carry out the President's program. (See page 45.)

On January 21 the House Committee on Ways and Means began hearings on the Administration's Social Security Bill.

There are two measures before the Committee, one, H.R. 4142, introduced by Representative David J. Lewis, Democrat, of Maryland, who for several sessions has been the leading advocate of social insurance in the House, and the other, H.R. 4120, by Representative Robert L. Doughton, of North Carolina, chairman of the Ways and Means Committee.

The Lewis bill is identical to the Wagner bill. The Doughton bill is a copy of the Lewis bill, with a few minor changes.

Since Representative Doughton is the chairman of the Ways and Means Committee, his bill probably will be the one the committee will report.

The first witness appearing before the House Committee was Edwin E. Witte, Secretary and Executive Director of the President's Committee on Economic Security, who explained the work of the Committee and the details of the Wagner and Lewis bills, as prepared by the Committee and by Senator Wagner and Representative Lewis.

Dr. Witte was followed by Miss Frances Perkins, Secretary of Labor, who explained the Administration program for social security.

Committee hearings will continue until both proponents and opponents have been heard.

Contrasting State Plans

a. The Wisconsin Plan

b. The Ohio Plan

a. The Wisconsin Plan—

With Segregation of Funds and Contributions by Employers Only

WISCONSIN is the only state in which an unemployment insurance law has been enacted. It went into effect on July 1, 1934.

The Wisconsin Plan:

Covers workers in establishments employing ten or more persons, also all workers whose wage is not more than \$1,500 a year. All that is needed to qualify for benefit payments is that the worker has been employed for two weeks, but the benefit is limited to one weekly benefit for each four weeks of employment—and not more than ten weeks of benefit as a maximum.

Excludes domestic servants, public officers, farm laborers, interstate railroad employees, school teachers.

Fund is contributed by employers only. Workers pay nothing. Employers pay 2 per cent of payroll until a fund of \$55 a worker has been established; thereafter 1 per cent until the fund (for that one corporation or concern) amounts to \$75 a worker. After that nobody contributes anything until—and if—the reserve falls below \$75 a worker.

Segregation of funds under the names of the contributors, though all the funds are administered by the state industrial commission. This means that a worker on the benefit register must depend on the fund contributed by his employer. Whenever that is exhausted he receives no more benefits.

Waiting period is two weeks. That is, a worker who is laid off gets no benefit for two weeks thereafter.

Benefits are \$10 a week or 50 per cent of average weekly wage, whichever is lower. That is to say, if an employee has a \$29-a-week salary (the high limit under the plan), and is laid off, his weekly benefit will be \$10 instead of \$14.50. If the employer's fund is unable to meet these payments they may be reduced. All factory workers who have worked two weeks—and all salaried employees who have worked one month—are covered.

Maximum duration of benefits is ten weeks in one year, but no benefit shall be paid out of an employer's fund if the worker has not been employed by him during the past six months.

Eligibility. If a man quits his job voluntarily he is not entitled to the benefits. No payment when a man is discharged for misconduct or inefficiency—nor when he refuses to accept "suitable employment" after losing his

job. But it is provided that the beneficiary has a right to refuse a new job if "the wages, hours and conditions are not those prevailing in similar work in the locality."

Exemptions. Companies which guarantee 42 weeks employment in a year to their workers are exempted from payments. Also concerns which have a plan of their own that is approved by the state industrial commission.

Dr. Alvin H. Hansen, Professor of Economics in the University of Minnesota, has made a detailed study of the Wisconsin Plan, and of the motives of its creators. He says:

"It was the primary purpose of the Wisconsin bill to serve as an incentive for stabilization of employment rather than to serve as a means of alleviating unemployment.

"It provides that when an employer has built up a reserve of \$55 per employee his contributions may be reduced to 1 per cent, and may cease when the reserve reaches \$75 per employee. Having once built up this reserve, the cost to the employer would be in direct proportion to the stability of his employment.

"It was recognized that the small benefit of a maximum of \$10 a week for ten weeks would go only a little way toward relieving the distress growing out of unemployment, but it was believed that the establishment of company reserves would be an effective means of causing the employer to stabilize employment."—*Extracts, see 2, p. 64.*

b. The Ohio Plan—

With Pooling of Funds and Contributions by both Employer and Employee

THE General Assembly of Ohio, on April 9, 1931, created an Unemployment Insurance Commission, whose nine members were appointed by the Governor. This commission reported on October 26, 1932. Their report includes a thorough survey of the entire question and actuarial estimates on the cost of unemployment insurance.

The Commission drafted a bill based on the principle of a state pooled fund. This bill was introduced in the legislature in 1933 and was passed by the House but failed of passage in the Senate.

Coverage. Employees of establishments having three or more employees. Excludes non-manual workers with salaries of \$2,000 per year or more, farm laborers, domestic servants; workers in interstate commerce; government employees; and short-time or casual laborers for a period of less than four weeks.

Premiums. Employers, two per cent of payrolls, subject to adjustment after three years. Workers one per cent. No state contribution.

Adjustment of Employers' Premiums. After three years experience, employers' premiums are to be adjusted

with respect to the hazards of unemployment in the various establishments. No premiums are to be less than one per cent nor more than three and a half per cent of payrolls. There is to be no adjustment of workers' premiums.

Benefits of Total Unemployment. Benefits are to be fifty per cent of full-time wages, not to exceed \$15 per week. No supplement for dependents.

Benefits for Partial Unemployment. Where the loss in wages in partial unemployment exceeds forty per cent of full-time wages, benefits are to be paid on the following scale:

Loss—40%-55%	Benefit—10% of full-time wages
" 55%-70%	" 20% " " "
" 70%-85%	" 30% " " "
" 85% or over	" 40% " " "

Where full-time wages amount to more than \$30, these percentages are to be calculated on \$30 only.

Duration of Benefits. In any consecutive twelve months the total benefits shall not exceed sixteen times the benefit for one week of total unemployment.

Qualifications for Benefits. To be entitled to benefits, the worker must have had twenty-six weeks of insured employment within the preceding twelve months, or (alternately) forty weeks of insured employment in the preceding twenty-four months.

Waiting Period. No benefits are paid until the wage loss equals three weeks full-time wages. Only one such waiting period shall be required in any twelve months. The waiting period is doubled for an employee who has been discharged for just cause or has voluntarily quit without just cause.

Seasonal Industries. In seasonal industries the right to benefit shall apply only to the longest seasonal period which the best practice of such industry will reasonably permit. The commission is to determine such seasonal period and fix the proportionate number of weeks required for qualification and the proportionate number of weeks for which benefits may be paid.

Insurance Fund. All contributions are pooled in one fund from which benefits, the expenses of administration and the cost of free public employment bureaus are to be paid.

Administration. An Unemployment Commission of three members is provided to administer the system. Branch offices and local free employment offices are provided. Appeals from decisions of local managers may be taken to local appeal boards and then to the commission. An appeal may be taken from the decision of the commission to the court of common pleas.—*Extracts, see 2, p. 64.*

unemployment insurance law enacted in Wisconsin under date of January 28, 1932, which became effective July 1, 1934.

Twenty-six joint agreements have been concluded between employers and members of the trade unions which provided for the payment of unemployment benefits or guaranteed a certain minimum of employment. Of these plans only five are now in existence.

Twenty-three company plans have been established, of which some plans cover more than one company or plant. Of these 23 company plans, 16 are now in operation. Two new company plans have been announced since 1932, one by the Wm. Wrigley Jr. Co. of Chicago, which was put in operation in March, 1934, and one made effective in April, 1934, by a company which asked to have its name withheld. Of a total of 48 trade-union plans listed in 1931, 3 were maintained by international unions and 45 by local unions. Forty-one trade-union plans are known to be in operation at the present time, although many of them have been continued only with the greatest difficulty. Three plans were started after the first study was made by the Bureau of Labor Statistics in 1931, and a total of 10 have been given up while 3 former joint agreements have been added to the local plans. Two local plans, formerly listed, have not been heard from, and one trade union did not wish a statement of its operations included.

In the 1931 study it was estimated that 65,000 workers were covered by the joint agreements, approximately 50,000 by the company plans, and about 45,000 by the trade-union plans, or a total of about 160,000 persons. The Bureau has no satisfactory information as to the coverage at the present time but it is probable that it is considerably smaller than in 1931.

During the past 2 years benefits have quite generally been reduced or plans modified in such a way as to conserve the funds, and in many instances the funds have been maintained only with the greatest difficulty. One company plan, that of the Dennison Manufacturing Co., has been suspended. No disbursements from the fund were made after June 1, 1932, although there was a balance in the fund of approximately \$15,000. The employees' committee considered resuming payments from the unemployment fund in October, 1932, but decided at that time to suspend payments indefinitely. Although there has been a certain amount of unemployment in the company since that time the committee has not regarded it as sufficient to warrant resuming operation of the fund. At the present time, therefore, there are 16 plans in operation, and of this number 8 have been started since 1929.

Six of the joint agreements for the payment of unemployment benefits have been discontinued. Three trade-union plans have been discontinued since 1932, while in several cases benefits have been suspended for either short or long periods because of the exhaustion of funds. In many cases work has been shared and frequently extra assessments have been necessary in order to pay benefits, even though in a great many cases the amount of the benefits has been much reduced. In general every effort has been made by these funds to maintain the benefit plans and give the greatest amount of assistance to members, and the fact that the funds have been of real help is shown by the general determination to continue them even in the face of such heavy odds.—*Extracts, see 1, p. 64.*

Plans Established by Private Initiative

MEASURES for the payment of compensation to employees in the event of unemployment have, with one exception, in the United States been established through private initiative. The exception is the

How the Foreign Compulsory Insurance Plans Operate

a. The British System

ENACTED in 1911, the original British unemployment insurance law applied only to employees of a small group of industries in which fluctuations in employment had been relatively severe. The system was extended in 1920 to provide general coverage of industrial and commercial wage earners. The 1920 Act still constitutes the basic structure of the British unemployment insurance system, although it has been amended by more than 20 subsequent acts, the latest of which became law in June, 1934.

The system is financed by compulsory contributions of employers and employees and by appropriations from the British Treasury, each contributing approximately one-third. All payments are pooled in a single national fund from which benefit payments are disbursed to the individual recipients upon loss or suspension of employment. The system is operated under the general supervision of the Ministry of Labor.

Participating employees have a contractual right to receive the full amount of benefits for which they qualify, regardless of the adequacy of the resources in the insurance fund. When current liabilities cannot be met from the resources in the fund, temporary loans may be made from the Government Treasury, repayment of these advances to be made within a limited period from the ordinary revenue of the fund. To preserve the solvency of the fund, a statutory committee, advisory to the Ministry of Labor, is required to make an annual report on its financial condition and to recommend changes in the system, including rates of contribution and of benefit payments, for appropriate action by Parliament.

At the end of October, 1934, the insurance fund had a total outstanding debt of 105,741,000 pounds (\$514,588,576). An amendment to the act approved in June, 1934, provided for repayment of the debt to the treasury by means of half-yearly installments of 2,500,000 pounds (\$12,166,250) each, to cover principal, and interest at the rate of three and one-eighth per cent per year. It was anticipated that, under this arrangement, the debt would be fully repaid within a period of about 37 years.

Coverage. The British system now applied to all manual wage earners, and to non-manual workers receiving less than 250 pounds (\$1,217*) annually, under the age of 65, except agricultural workers, persons engaged in domestic service, and certain classes of employees of railroads, public utilities, local public authorities and charitable institutions.

Contributions. The rate of contributions for employees varies with their age and sex. For each class of employees, equal contributions are made by the employees them-

selves, the employers, and the government. The weekly contribution for male employees aged 21 years to 64 years is equivalent to 20 cents. The weekly contributions for other classes of employees range from 18 cents, for adult women workers and male employees aged 18 to 20, to 4 cents for employed children under 16 years. Contributions are required for every employee for every week in which he has worked a single day.

Scale of Benefits. The amount of weekly benefit payable to an adult male employee without dependents is \$4.13. For other classes of employees the weekly benefit ranges from \$3 to \$1.22. The same amount of weekly benefit is payable to each class of employees, regardless of individual differences in their previous wage rates. Supplementary benefits are payable to adult workers who have dependents. The additional weekly benefit payable for an adult dependent is \$2.19; for a dependent child it is 49 cents.

Eligibility for Benefits. Benefits are payable only when jobless employees meet the following requirements:

1. They must have paid at least 30 weekly contributions during the two years preceding loss of employment. When a person has received the full number of benefit payments to which he is entitled, he must be reemployed in an insured occupation and make at least ten contributions before becoming re-eligible to further benefits in the event he again loses his job.
2. They must be physically able to work.
3. They must register regularly at a publicly administered employment exchange and supply proof that they are actually unemployed.
4. They must not have refused to accept suitable employment when offered by an employment exchange, even though this would involve a change of occupation, or have neglected to avail themselves of reasonable opportunities for obtaining work or have declined to accept training for new occupations.
5. Their idleness must not have been caused by participation in a labor dispute, by voluntary withdrawal from employment without just reason, or by discharge for misconduct.

There are other provisions for disqualifying certain classes of workers or for reducing the amount of their benefits through administrative rulings. These classes of workers include:

1. Persons who habitually work less than a full week, but receive comparatively high earnings.
2. Persons engaged in occupations of a strictly seasonal nature.
3. Persons employed for not more than two days a week.
4. Married women who have made less than the requisite number of contributions subsequent to their marriage.

*In converting British currency into equivalent value of United States money, one pound has been given the par value of \$4.8665, one shilling, 24.3 cents, and one penny, 2 cents. No allowance has been made for the fluctuating exchange value of the pound.

Duration of Benefits. During the continuance of unemployment, qualified persons are entitled to receive weekly benefits up to a maximum of six months in any twelve month period or "benefit year," this being the twelve months immediately following the date when benefits become payable. Employees who have had steady work in insured occupations during the five years preceding their loss of employment are, however, entitled to additional benefit payments beyond the normal six months maximum. For every five contributions paid in the previous five years, three additional days of benefit are allowable, subject to a deduction of one day of benefit for every five days of benefit received in the preceding five years. Thus, it is possible for a claimant with a good insurance record to receive full benefits for an entire year after losing his job.

Waiting Period. The first six days of continuous unemployment constitute a waiting period for which no benefit is payable. It is provided, however, that three days of unemployment in any six consecutive working days are to be regarded as continuous and that two periods of three days each, separated by not more than ten weeks, are also to be regarded as continuous. Thus, the waiting period of six days need not necessarily be six consecutive days, but may be spread over two different weeks in a ten-week period.

Supplemental Unemployment Relief. Persons remaining unemployed after receiving the full number of weekly benefit payments to which they are eligible are entitled to receive so-called extended or transitional benefits. These benefits can be continued indefinitely so long as claimants meet all conditions requisite to payment of insurance benefits and in addition periodically supply proof that they are in actual need of financial assistance. The amount of the transitional benefits is determined upon the basis of need, but cannot exceed the amount of the full insurance benefits. The entire cost of paying transitional benefits is met by special appropriations from the government treasury.

The 1934 unemployment act, under which several important changes in the unemployment insurance system were authorized, also provided for the early abandonment of present methods for paying transitional benefits and for the creation of a new plan of supplemental unemployment relief completely separate from the unemployment insurance system. The new plan, which is designated as the "unemployment assistance scheme," will become effective early in 1935. It is designed to provide relief for persons who have exhausted their right to insurance benefits and for persons not eligible to participate in the insurance system.

The unemployment assistance scheme is to be financed by appropriations from the British Treasury, supplemented by appropriations by local relief authorities. It is estimated that the treasury will bear 95 per cent of the cost. Cash unemployment allowances of varying amounts will be paid under the plan, upon the basis of the needs of individuals or families. Training courses for unemployed persons are to be maintained and persons receiving instruction or temporarily employed by local public authorities on work designed to qualify them for jobs in private enterprises are to be paid from the unemployment assistance appropriations.

Administration. The British ministry of labor administers the unemployment insurance system through four

subordinate departments. The employment and training department maintains a system of local and branch employment exchanges of which there are more than 1,100. These exchanges perform the detailed work of registering applicants for benefits, of passing upon claims, of disbursing benefits, and of facilitating the reemployment of jobless persons. The unemployment insurance department is responsible for general administrative policies and procedures, and maintains centralized records of the contributions and benefit payments of all participating employees. The finance department performs necessary accounting functions, while the transitional payments department, which is shortly to be abolished, supervises disbursement of supplemental benefits to persons no longer entitled to receive insurance benefits.

Every year each participating worker is supplied by the local or branch employment exchange with a so-called unemployment book. In this book contribution stamps covering both the employer's and employee's contributions are placed each week by the employer. The stamps are purchased by the employer from the local post office. The amount of the employee's contribution is deducted by the employer from his wages.

Benefit payments are made weekly by the employment exchanges. Upon loss or suspension of employment, the insured worker deposits his unemployment book at the employment exchange and makes application for benefits. Before payment of benefit is made, the local exchange must first ascertain from the insurance department whether or not the applicant has the requisite contributions to his credit. While in receipt of benefits the unemployed worker must register at frequent intervals at an employment exchange. Although employers are not required to apply to employment exchanges when they need workers, the facilities of these offices are generally used when replacements or additions to personnel are to be made.

Doubtful claims for benefits are referred for adjudication to local courts of referees appointed by the Minister of Labor. Appeals from the decisions of these courts may be made to the chief insurance officer of the unemployment insurance department, while final appeals may be taken to a governmental official known as the "umpire" who is appointed by the Crown.

Cost of Maintaining the British System*

Year	Number Insured	Total Receipts	Total Expenditures	Net Balance for Year	Fund Debt at End of Year
1913	2,070,000	£2,011,000	£362,000	+£1,649,000	£.....
1917	3,632,000	3,847,000	483,000	+ 3,364,000
1921	11,500,000	14,234,000	35,422,000	-21,188,000
1925	11,280,000	50,179,000	51,543,000	- 1,364,000	8,106,000
1929	11,500,000	42,309,000	53,693,000	-11,384,000	35,960,000
1932	(a)	50,485,000(b)	90,458,000(b)	-39,973,000(c)	115,000,000

(a) Comparable statistics not available.

(b) Cost of Transitional Benefit and Payments and the administration thereof chargeable to the Exchequer is not included. The amounts paid by the Exchequer were: 1930, £3,985,000; 1931, £20,316,000; 1932, £32,375,000.

(c) Of this amount, approximately £473,000 was made up by a deficiency grant from the Exchequer, after the statutory borrowing powers of the Fund had been exhausted.

*Extracts, see 9, p. 64.

b. The German System

THE German insurance system was started on October 1, 1927. It includes two kinds of benefits: (a) regular benefits which are paid out of the premiums of the workers and their employers; and (b) emergency benefits which are paid by the government, and which are for those who have exhausted their right to regular benefit. In the first years of the system contributions were set at too low a rate and, as a result, the system ran up a large deficit. At the present time, due to the increased rate of premium and to the fact that a very large per cent of the unemployed have exhausted their right to regular benefits, the regular system is much more than self-sustaining. Its surplus is now being used to aid in the payment of emergency benefits.

The German system, like the English, is compulsory. Its coverage is now similar to that of the English system. Agricultural workers and domestics were formerly covered, but have recently been excluded. Manual workers earning over 3,600 marks per year and non-manual workers earning over 8,400 marks per year are excluded.

Unlike the English system, both premiums and benefits vary with the worker's earnings. For this purpose all workers are divided into eleven wage groups, and for each group a basic wage is set.

Premiums are shared equally by the workers and employers, each paying $3\frac{1}{4}$ per cent of the basic wage, making a total of $6\frac{1}{2}$ per cent. No premiums are paid by the Government for regular insurance, its contribution being limited to the cost of emergency benefits.

Regular benefits are limited to 20 weeks. The benefits vary according to the wage class of the worker and are set at varying per cents of the basic wage. The lowest paid workers, those in Class I, receive 75 per cent of the basic wage, and the percentage decreases until in Class XI the highest-paid workers receive 35 per cent of the basic wage. There are additional allowances for dependents.

Workers are qualified for benefit after fifty-two weeks' employment in the previous two years. The waiting period is fourteen days for workers with no dependents, seven days for those with one to three dependents, and three days for those with four or more dependents.

Emergency benefits, financed by the government, are paid only to those in need. Their duration has been repeatedly changed, and varies for different classes of persons.

Because of the great length and severity of the depression in Germany regular insurance benefits paid out of premiums have taken care of only a small fraction of the unemployed. The remainder have been forced to rely on emergency benefits paid by the government and on poor relief paid by the local authorities.—*Extracts, see 2, p. 64.*

c. Other Foreign Compulsory Systems

Austria—(1920) Contributions: equal amounts by employers and employees. Government contributes to cost of administration, but has been making special emergency relief appropriations during recent years.

Bulgaria—(1925) Contributions: equal amounts by employees and Government.

Irish Free State—(1922) Contributions: approximately equal amounts by employers, employees and the Government. System practically the same as that of Great Britain, which prevailed in Ireland before the establishment of the Free State in 1922.

Italy—(1919) Contributions: equally divided between employers and employees. Government contributes nothing.

Poland—(1929) Contributions: employer, $1\frac{1}{4}$ per cent of wage; employee, $\frac{1}{2}$ of 1 per cent of wage. Government, 1 per cent of wage.

Queensland, Australia—(1923) Contributions: equal amounts by employers, employees and the Government.

Russia—(1929) Contributions by Government only. Suspended in 1930.

Foreign Voluntary Plans in Operation

Belgium—(1920) Prior to the establishment of a national system of voluntary unemployment insurance the cities of Liège (1897) and Ghent (1909) had established unemployment relief appropriations, distributed through trade unions. Under the Act of 1920 employees contribute one-third and the Government two-thirds of the fund.

Denmark—(1907) The original Danish law was amended several times and is now operating under an Act of 1933. Contributions are made by the employees and by the Government, the proportion paid by the employees being regulated by the wage scale. In the highest-paid trades the employees contribute as high as 87 per cent of the fund, while in the lower-paid trades employees pay 52 per cent. The contributions are collected through the unions. A worker does not have to join a union, but if he joins he must contribute to the unemployment relief fund.

France—(1905) Prior to 1905 there had been in existence in France for many years trade unions and mutual aid associations maintaining unemployment benefit funds. The national budget of 1905-06 provided an appropriation to be allotted to these associations. The contributions are made by the members of the unions or associations and by the Government. The proportions vary, but since the increase in unemployment beginning in 1932, the rate of contribution by the Government, fixed at 50 per cent in 1931, has arisen to as high as 90 per cent in some classes.

Netherlands (1916) The unemployment insurance system in the Netherlands is conducted by labor unions, with Government financial aid, under the voluntary system set up by royal decree in 1916 contributions of the insurance associations, which are fixed by the members. Employees and the Government are the only contributors.

Continued on page 64

Some Popular Questions

Answered

Could any type of unemployment insurance system provide immediate relief for persons now jobless?

No. Before unemployment benefits can be paid, reserves must be accumulated. Hence, unemployment insurance plans would provide protection only to individuals who now have jobs and remain employed throughout the period while reserves are set aside.

Would a nation-wide unemployment insurance system eliminate future needs for other relief measures?

No. Unemployment insurance plans are designed to afford limited financial assistance to persons who normally have regular employment. Usually only employees who are laid off or dismissed because of lack of work are eligible for benefits. If prohibitive expense is to be avoided, the rate of benefits payable to any individual must be considerably less than his normal wages, and the maximum duration of benefit payments must be definitely fixed. For persons who become "unemployable" and for those who remain jobless after their right to benefits expires, other forms of relief would be required.

What is the difference between unemployment reserves and unemployment insurance?

In the present usage, these terms are considered to be synonymous. There is, however, a genuine distinction. The term *unemployment insurance* used accurately, relates to unemployment compensation plans which are formulated and administered on an actuarial basis, and which involve the pooling of reserves of groups of companies and joint assumption of liabilities for payment of unemployment benefits to the workers of these companies.

Unemployment reserve plans do not necessarily employ insurance procedure and technique. They may limit liabilities for payment of unemployment benefits to the workers of these companies.

Unemployment reserve plans do not necessarily employ insurance procedure and technique. They may limit liability for benefit payments to the amounts regularly contributed to the reserve funds and reserve plans may be designed to cover only the employees of a single company.

Does unemployment, in general, constitute an insurable risk?

To be a suitable subject for insurance, a person must actually lose employment. For this reason unemployment insurance cannot be applicable except to persons who regularly have gainful occupations. Moreover, the frequency of the loss and the duration of idleness must be predictable within reasonable limits. Seasonal, cyclical, and technological unemployment is largely or wholly uncontrollable by employers and employees.

Other causes of unemployment, such as labor disputes, intentional idleness, or personal ineptitude, are within the control of individual workers, but for these types of unemployment, insurance is obviously not appropriate.

Insurance executives and industrial employers generally agree that the risk of unemployment, viewed as a whole, cannot be underwritten on an insurance basis. Insurance principles might be applied, to a limited extent, to protect regular employees against loss of income resulting from seasonal lay-offs and, to an even more limited degree, against loss occurring because of cyclical fluctuations or technological developments.

Could jobless persons continue indefinitely to receive unemployment benefits?

No. Unemployment insurance or reserve plans in effect or proposed in this country invariably limit duration of benefits. Should unlimited benefits be payable, the system would no longer constitute unemployment reserves or unemployment insurance. It would be governmental relief on a guaranteed basis in contrast to present governmental relief measures which give the beneficiary no assurance of continuous income.

Would unemployment insurance encourage idleness?

Not necessarily. An unemployment insurance system could be formulated in such a way as to minimize any tendency for beneficiaries to remain idle. On the other hand, the provisions for amount and duration of benefits may be made so liberal as to encourage continued unemployment. The principal proposals for unemployment reserves or insurance now under consideration contemplate that the rate of benefits shall be considerably less than each employee's regular earnings, that there shall be a waiting period before any benefits become payable, and that the duration of payments shall be limited. It is also proposed that the public employment offices be utilized to facilitate reemployment of persons receiving benefits. By requiring the beneficiaries to report at reasonable intervals what steps they have taken to obtain work and by suspending payment of benefits if they refuse to accept suitable jobs when offered, it might be possible to minimize any demoralizing results.

Can the cost of any proposed unemployment insurance system be determined in advance?

No. Neither the probable amount of future unemployment nor the approximate duration of idleness of the average worker can be estimated accurately. It is possible, however, to limit total cost by fixing in advance maximum rates of contribution to the system and by restricting liabilities for payment of benefits to the total sums paid into the reserve fund.

Would unemployment insurance tend to increase or decrease total volume of employment?

Some employers might find it advantageous to employ more workers, since if they were dismissed the benefits would be paid from a common fund. In the long run, the volume of employment is determined by the volume of business.

What would be the effects on total volume of business?

However an unemployment insurance or reserve system may be financed, it will increase labor costs. On the other

hand, the net cost of unemployment insurance might be no greater than the cost of other methods for relieving unemployment. Present relief activities must be financed either through borrowing, voluntary contributions by individuals and corporations, or taxation. Ultimately this expense is reflected in higher selling prices. Moreover, the sums accumulated in unemployment reserve funds would eventually be disbursed as benefits and thus be used for consumer purchasing. While current volume of business would be curtailed, future volume might be expanded but not necessarily to the same degree. If reserves are built up only during periods of rising business activity and distributed as benefits in the initial stages of a recession, the result may be to moderate the intensity of the upward and downward swings. If, however, reserves are set aside when business is declining, the result may be to accelerate the drop in volume of business and employment.

What is the present attitude of business toward compulsory unemployment insurance legislation?

Business sentiment has become increasingly favorable toward the principle of creating saving funds to mitigate the effects of involuntary unemployment. Business organizations have, however, opposed enactment of compulsory unemployment insurance legislation until employers have had opportunity to develop suitable plans without legislative interference or control.

What is the present public attitude?

Public thinking on the subject has been beclouded by uncertainty concerning the effectiveness of unemployment insurance as a means of coping with present unemployment conditions. The need for more systematic and economical methods of unemployment relief is generally recognized. The fact that unemployment insurance is not applicable to the immediate situation is not fully understood.

In any unemployment insurance legislation that may be enacted, what should be the division of responsibility between the Federal Government and the states?

Constitutional limitations on the power of the Federal Government would, it is generally believed, preclude the possibility of creating a nation-wide unemployment reserve or insurance system without state legislation. The principal proposals for federal legislation are designed to encourage the enactment of state laws.

Uniformity of state legislation, some contend, would be necessary to prevent competitive disadvantages resulting from unequal financial burdens being placed upon the employers of different states.

Should any portion of the cost of unemployment insurance be met from public funds?

Unemployment, some contend, is primarily a social problem, largely beyond the control of employers or employees. Contributions from public funds for the

maintenance of unemployment relief systems are, those holding this view contend, not only desirable, but imperative. To make each enterprise or industry provide financial relief for all persons displaced from their jobs because of lack of work would involve such excessive increases in costs and selling prices as to reduce volume and create new unemployment. In industries which are subject to severe and uncontrollable fluctuations, public funds would be needed for relief whether or not unemployment insurance or reserve plans were maintained.

Other students declare that government participation in the financing of unemployment reserve or insurance plans would jeopardize the solvency of the system and lead to political abuses. Government support, they say, would inevitably give rise to demands for constant liberalization of the scale of benefits and duration of payments; for extension of the system beyond its legitimate purposes and for progressively greater public appropriations. The ultimate result, they argue, would be the creation of a vast dole system.

Should employee contributions be required?

Upon this point also opinions differ. Some feel that it is logical to require the beneficiaries of unemployment insurance to defray at least a portion of its cost. Moreover, employee contributions would make possible more nearly adequate benefit payments and prevent the expense to employers from becoming prohibitive. They also contend that employee participation in financing would mean more efficient administration because employees would help prevent fraudulent claims and abuses.

Some employers and labor organizations, however, object to employee contributions on the grounds that, since unemployment benefits could not possibly equal previous earnings, those who lose their jobs would continue to bear the major financial loss. Hence there would be little justification, it is argued, for compulsory contributions by employees, and especially by those whose regular earnings may be so low as to make difficult the maintenance of wholesome living standards.

By what agencies should unemployment insurance systems be administered?

Legislation can be formulated so as to permit independent development and administration of unemployment reserve plans by each enterprise or optional development and maintenance of pooled plans by voluntary action of groups of employers, subject only to reasonable statutory regulations. Many employees regard legislation of this type as presenting the least objectionable possibilities. Some employers feel that the only legitimate reason for legislation would be to require all enterprises to meet minimum standards for providing protection to their employees. Others feel that governmental supervision of all plans is necessary.—*Extracts, see 4, p. 64.*

President Roosevelt Submits a Compulsory Plan to Congress

Extracts From Message of
January, 17, 1935

In addressing you on June 8, 1934, I summarized the main objectives of our American program. Among these was, and is, the security of the men, women and children of the nation against certain hazards and vicissitudes of life. This purpose is an essential part of our task. In my annual message to you I promised to submit a definite program of action. This I do in the form of a report to me by a Committee on Economic Security, appointed by me for the purpose of surveying the field and of recommending the basis of legislation.

I am gratified with the work of this committee and of those who have helped it: The Technical Board of Economic Security, drawn from various departments of the Government; the Advisory Council on Economic Security, consisting of informed and public-spirited private citizens; and a number of other advisory groups, including a Committee on Actuarial Consultants, a Medical Advisory Board, a Dental Advisory Committee, a Hospital Advisory Committee, a Public Health Advisory Committee, a Child Welfare Committee, and an Advisory Committee on Employment Relief.

It is my best judgment that this legislation should be brought forward with a minimum of delay. Federal action is necessary to and conditioned upon the actions of states. Forty-four legislatures are meeting or will meet soon. In order that the necessary State action may be taken promptly it is important that the Federal government proceed speedily.

The detailed report of the Committee sets forth a series of proposals that will appeal to the sound sense of the American people. It has not attempted the impossible nor has it failed to exercise sound caution and consideration of all of the factors concerned; the national credit, the rights and responsibilities of states, the capacity of industry to assume financial responsibilities and the fundamental necessity of proceeding in a manner that will merit the enthusiastic support of citizens of all sorts.

It is overwhelmingly important to avoid any danger of permanently discrediting the sound and necessary policy of Federal legislation for economic security by attempting to apply it on too ambitious a scale before actual experience has provided guidance for the permanently safe direction of such efforts. The place of such a fundamental in our future civilization is too precious to be jeopardized now by extravagant action. It is a sound idea—a sound ideal. Most of the other advanced countries of the world have already adopted it and their ex-

perience affords the knowledge that social insurance can be made a sound and workable project.

Three principles should be observed in legislation on this subject. In the first place, the system adopted, except for the money necessary to initiate it, should be self-sustaining in the sense that funds for the payment of insurance benefits should not come from the proceeds of general taxation. Second, excepting in old-age insurance, actual management should be left to the states subject to standards established by the Federal government. Third, sound financial management of the funds and the reserves, and protection of the credit structure of the nation should be assured by retaining Federal control over all funds through trustees in the Treasury of the United States.

At this time I recommend the following types of legislation looking to economic security.

1. Unemployment compensation.
2. Old-age benefits, including compulsory and voluntary annuities.
3. Federal aid to dependent children through grants to states for the support of existing mother's pension systems and for services for the protection and care of homeless, neglected dependent and crippled children.
4. Additional Federal aid to state and local public health agencies and the strengthening of the Federal Public Health Service. I am not at this time recommending the adoption of so-called health insurance, although groups representing the Medical profession are cooperating with the Federal government in the further study of the subject and definite progress is being made.

With respect to unemployment compensation, I have concluded that the most practical proposal is the levy of a uniform Federal payroll tax, ninety per cent of which should be allowed as an offset to employers contributing under a compulsory state unemployment compensation act. The purpose of this is to afford a requirement of a reasonably uniform character for all states cooperating with the Federal government and to promote and encourage the passage of unemployment compensation laws in the states. The ten per cent not thus offset should be used to cover the costs of Federal and state administration of this broad system. Thus states will largely administer unemployment compensation, assisted and guided by the Federal government.

An unemployment compensation system should be constructed in such a way as to afford every practicable aid and incentive toward the larger purpose of employment stabilization. This can be helped by the intelligent planning of both public and private employment. It also can be helped by correlating the system with public employment so that a person who has exhausted his benefits may be eligible for some form of public work as is recommended in this report. Moreover, in order to encourage the stabilization of private employment Federal legislation should not foreclose the states from establishing means for inducing industries to afford an even greater stabilization of employment.

Details of the Administration's Compulsory Unemployment Insurance Plan

by Hon. Robert F. Wagner

U. S. Senator, New York, Democrat

Editor's Note: On January 17, Senator Robert F. Wagner of New York introduced a bill, S. 1130, to carry out the President's Economic Security program, including unemployment insurance, old-age pensions, Federal aid for dependent children and Federal aid to state and local health agencies.

Following is Senator Wagner's explanation of the unemployment insurance provisions of his bill.

THE bill is designed to encourage the nation-wide enactment of compulsory state unemployment insurance laws by (1) exercise of the Federal taxing power and (2) Federal subsidies to the states.

(1) Federal Tax.

(a) *Tax on Payrolls.* Beginning as of January 1, 1936, every employer with four or more employees pays into the Treasury an annual tax of 3 per cent upon his payroll. But it is provided that between January 1, 1936, and January 1, 1938, this tax shall be reduced to 1 per cent until the Federal Reserve Board index of total industrial production reaches over 84 per cent of the 1923-1925 level, and reduced to 2 per cent until it reaches 95 per cent of such level. Commencing January 1, 1938, the tax shall be 3 per cent in any event.

(b) To encourage the enactment of state unemployment insurance laws, every employer receives as a credit against the above tax, up to 90 per cent, whatever he contributes to an unemployment insurance fund under state law. To allow for any state laws which might permit an employer to reduce his annual contributions by stabilizing employment, the bill allows such employer to credit against his Federal tax both his state contribution and his state allowance.

(c) *Federal Standards.* No employer shall receive any such credit unless the unemployment insurance law of his state (1) accepts the provisions of the Federal employment exchange act, (2) provides for state administration of funds through the unemployment exchange offices, (3) provides that all funds shall be deposited in the unemployment trust fund, (4) provides that the fund shall be used only for unemployment compensation, (5) provides that no worker shall be disqualified from receiving benefits because he participates in a strike or because he

refuses to take work at standards below those prevailing in the locality, or because he refuses to join a company union or insists upon joining the labor union of his own choosing.

(d) *Unemployment Trust Fund.* All funds collected under state unemployment insurance laws, in order that the employers in the state shall be eligible to receive credits against the Federal tax, must be deposited in the unemployment trust fund in the Treasury of the United States, there to be managed and invested by the Secretary of the Treasury.

(2) Federal Subsidies

(a) *Appropriation.* There is appropriated \$5,000,000 for the fiscal year ending June 30, 1936, and \$50,000,000 is authorized to be appropriated for each succeeding year, to encourage the administration of state unemployment insurance laws.

(b) *Allotment.* Ninety-eight per cent of this money, or \$4,900,000 for the fiscal year ending June 30, 1936, and \$49,000,000 for each succeeding year, shall be apportioned among the several states to assist them in the administration of the unemployment insurance laws. Each state's allotment shall be based upon its needs as determined by the Social Insurance Board, but no state shall receive any allotment unless its unemployment insurance law measures up to the standards required in order to entitle employers operating under it to a credit against their Federal tax.

Administration

Social Insurance Board. A Social Insurance Board is set up in the Department of Labor, with three members appointed by the President for six-year terms at \$10,000 per year. The duties of the board are:

(1). To study and recommend social security practices and laws. (2). To make recommendations to the Secretary of Labor regarding the credits of employers under the unemployment insurance laws. (3). To supervise and direct the payment of annuities under the compulsory old-age insurance plan. (4). To issue old-age annuities under the voluntary pension system. (5). To assist the states in the administration of unemployment insurance laws.

Security Bill Appropriations

Appropriations Proposed in the Wagner Economic Security Bill

	Fiscal year 1936	Each succeeding year
Old-age pensions	\$50,000,000	\$125,000,000
Unemployment insurance	2,900,000	49,000,000
Mothers' assistance	25,000,000	25,000,000
Maternal and child health	4,000,000	4,000,000
Crippled children	3,000,000	3,000,000
Child welfare	1,500,000	1,500,000
Public health	10,000,000	10,000,000
Totals	\$98,400,000	\$217,500,000

Should America Establish a Compulsory Unemployment Insurance System?

P R O

Affirmative

WE, as a nation, are no longer content to ignore the rights of the individual and I believe that there is among us today a new concept of the old doctrines of liberty and equality, a new desire to make real the old ideal of brotherhood.

As President Roosevelt has said, "Our task of reconstruction does not require the creation of new and strange values. It is rather the finding of the way once more to known, but to some degree forgotten, ideals and values. If the means and details are in some instances new, the objectives are as permanent as human nature."

We are today fighting for freedom—freedom from insecurity and uncertainty. The shadow of insecurity that at all times hangs over the lives of fully ninety per cent of the American people threatens at any moment to deprive them of the possessive rights they hold most dear. The battle is no less real because the forces against which we struggle are frequently intangible, elusive and difficult to grasp.

It is hardly necessary to emphasize the great need of our people for protection against the circumstances and hazards of life over which they have no control.

Unemployment looms large in our thoughts and plans, and naturally so, for it is the greatest single cause of that insecurity we are seeking to abolish. But we have not neglected to consider the other hazards.

At the present time over four million families have been driven, for lack of that protection, to seek public aid, and it is estimated there are today eighteen million people on our public relief rolls, of whom over seven million are children.

Figures and statistics are cold and colorless, but it takes very little imagination to picture the distress and suffering which has come so intimately into the lives of those four million families, of those eighteen million separate and individual human beings. What has been the effect, what will be the effect, not only in physical terms, but in terms of psychology, of dwarfed and ruined lives, on those seven million children and young people who know no other living but the meager dole of public charity? How can we expect to build up a sound and stable citizenry on a foundation of such appalling insecurity as these figures indicate?

Provision against unemployment and the distress occasioned by it is obviously, then, the major problem which confronts us in any plan for social security. At the same time, it is one of the most complex and difficult of solution.

by

Hon. Frances Perkins
U. S. Secretary of Labor

Unemployment insurance alone is not a cure-all. It will not put men back to work and it does not eliminate the necessity for relief. Obviously, we need more than unemployment insurance. We need work programs and well-conceived plans for economic rehabilitation. We need to revive the construction and other durable goods industries and to

stimulate increased production by private industry.

But we also need unemployment insurance. While it is not a panacea for all our ills, it is a measure of great value to the largest single group in our population—the steady industrial workers. In our concern for the twenty per cent who are unemployed—and we should have great concern about this twenty per cent—let us not forget the eighty per cent who are working.

We cannot make progress by bringing down that eighty per cent to the level of the twenty per cent. We must raise the twenty per cent who are unemployed from their status of dependency and at the same time take measures that will protect the eighty per cent who are now employed from falling into that same situation.

That is the fundamental purpose of unemployment insurance. It affords protection for a limited period during which the unemployed worker, as a matter of contractual right, receives cash benefits which bear a direct relation to his previous employment. This will, in normal times, usually be enough to tide the worker over any period of unemployment and, even in depression, will afford protection while there is still a reasonable prospect of getting back to the old job. But when unemployment benefits are exhausted, relief, preferably in the form of work, must be provided on some means test basis.

Unemployment insurance is not new. It has behind it European experience which on the whole has been successful. In no country except Russia has unemployment insurance, once started, been abandoned or even suspended. Despite all the talk of the insolvency of the foreign unemployment insurance funds, all these systems are paying benefits today. Not only that, but the government assistance to these funds has cost far less than our payments for relief.

We cannot build solely on European experience. Conditions in this country are quite different and we must develop our own methods and techniques. We also must proceed on the basis of the governmental structure we have in this country and with due regard to our great diversity of conditions. These considerations all suggest the advisability of the cooperative Federal-state system of unemployment which the President outlined.—*Extracts, see 6, p. 64.*

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Should America Establish a Compulsory Unemployment Insurance System?

Negative

C O N

THE Committee on Unemployment Insurance Law of the American Bar Association was organized after the 1933 annual meeting of the American Bar Association, and since that time its members have been studying the various proposals for unemployment insurance or unemployment reserve legislation which have been advanced in the various States. Although I cannot, of course, speak for the membership of the Bar Association, I can speak for the members of the committee I have referred to.

I also had occasion to give the subject intensive study at an earlier date. In November, 1932, I was appointed by the Governor of Pennsylvania as a member of the Pennsylvania State Committee on Unemployment Reserves, and was elected chairman of that committee by its members. That committee was to make a study of the subject of unemployment insurance or unemployment reserves and to report to the Legislature of Pennsylvania.

No one could fail to approach a study of the problems of unemployment with the most sympathetic attitude. At the time I was appointed to the Pennsylvania commission, I was inclined to favor unemployment insurance, or reserves. It seemed a logical and obvious way to deal with the problem of unemployment.

The commission spent several months in intensive study of unemployment insurance and reserves. It had the benefit of findings and reports of commissions which had previously been appointed in Wisconsin, Ohio, New York, Minnesota, Connecticut, and Massachusetts; of the Preliminary Report and the Final Report of the English Royal Commission on Unemployment Insurance; and of the studies and opinions of numerous economists and other experts.

The more I have studied the question the more firm has become my conviction that unemployment insurance is an unsound remedy, the benefits of which are wholly insignificant compared with its inherent defects.

It is claimed by the advocates of these plans that they will not only provide a predetermined system of unemployment relief, which will largely do away with the present form of private and State relief and afford a dignified provision for regular workers, but that they will even tend to remedy the defects in our present economic system which cause unemployment. They maintain that such plans will do something to prevent a recurrence of depressions in the future, first, by providing an incentive to the employer to regularize his operations, and, as a result, to forestall over-expansion; and, second, by arresting declining business activity and employment through the establishment of large reserves from surplus earnings

by

Charles Denby, Jr.

Chairman, Committee on Unemployment Insurance Law, American Bar Association

in good times, which, when distributed as benefits in times of slack employment, will provide a reservoir of purchasing power.

Any plan which gives real promise of relief to society and to the individual should have the support of all. At the same time, a heavy burden of proof must of necessity rest upon those who

propose for enactment into law any plan having such far-reaching consequences and subject to such grave possibilities of abuse.

A study of the facts and of the history of the agitation for the adoption of these plans lead to the conclusion that the advocates of compulsory unemployment insurance or reserves have not given adequate consideration to the vital objections and difficulties inherent in these plans. And this is important. They have argued from the present situation of distress, suffering, and demoralization as a premise, to the conclusion that one or another of the plans they advocate should be adopted. Before accepting this conclusion, I am of the opinion that the problem and the proposed solutions must be approached realistically, without prejudice, and with the recognition that a desire to do something will not, of itself, justify the adoption of any plan.

Let us consider the principal arguments for unemployment insurance. They are three. First, that unemployment insurance or reserves, with rates of contributions proportioned to unemployment experienced within individual enterprises will tend to regularize operations through the imposition of a penalty upon irregularity.

The second principal argument for unemployment insurance is that the accumulation of an insurance or reserve fund, from which payments are made in times of unemployment, will provide a reservoir of purchasing power, the use of which will tend to lessen fluctuations in business by maintaining consuming power.

The third principal argument for unemployment insurance is that the grant of benefits as a matter of right—by virtue of an implied insurance contract—is preferable to the granting of relief proportioned to need, as the only self-respecting way of dealing with unemployment.

I shall discuss these arguments in the order in which they are stated.

One of the primary claims of advocates of compulsory reserves is that they attack the problem of unemployment at its roots, by stimulating regularization of operations through the imposition of a penalty upon irregularity. An employer who could regularize his operations and limit unemployment would benefit by making reduced contributions into the insurance or reserve fund.

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by The President's Committee on Economic Security

UNEMPLOYMENT compensation, as we conceive it, is a front line of defense, especially valuable for those who are ordinarily steadily employed, but beneficial also in maintaining purchasing power in depression time. While it will not directly benefit those now unemployed until they are reabsorbed in industry, it should be instituted at the earliest possible date to increase the security of all who are employed.

We believe that the states should administer unemployment compensation, assisted by the Federal Government. We recommend as essential the imposition of a uniform payroll tax against which credits shall be allowed to industries (which have contributed to unemployment insurance funds) in states that shall have passed compulsory unemployment compensation laws. Through such a uniform payroll tax it will be possible to remove the unfair competitive advantage that employers operating in states which have failed to adopt a compensation system enjoy over employers operating in states which give such protection to their wage earners. * * *

We believe also that it is essential that the Federal Government assume responsibility for safeguarding, investing, and liquidating all reserve funds, in order that these reserves may be utilized to promote economic stability and to avoid dangers inherent in their uncontrolled investment and liquidation. We believe, further, that the Federal Act should require high administrative standards, but should leave wide latitude to the states in other respects, as we deem varied experience necessary within particular provisions in unemployment compensation laws in order to conclude what types are most practicable in this country. * * *

In the basis calculations of our actuaries, a waiting period of four weeks, a fifty per cent compensation rate and a maximum of \$15 per week, but no minimum, were assumed. We suggest to the States in framing their laws that on the basis of 3 per cent contribution rate the maximum benefit period cannot safely exceed 16 weeks and should be reduced to 15 weeks, if it is desired to give workers who have been long employed without drawing benefits an additional (maximum) week of compensation for each six months they have been employed without drawing benefits, up to a maximum of ten additional weeks.

Extended cash benefits seem to us far less desirable than work benefits and we recommend that an employee, after he has exhausted his contractual rights, be certified to the authorities in charge of the Federal work program as entitled to a work benefit. Such certification shall entitle the unemployed insured worker, who has exhausted his cash benefits, to employment on any available public employment project. * * *

The states should make all contributions compulsory and may require them from employers alone, or from employers and employees, with or without contribution by the state government. The states should have freedom in determining their own waiting periods, benefit

rates, maximum benefit periods, etc. We suggest caution lest they insert in their laws benefit provisions in excess of collections. * * *

We earnestly recommend prompt enactment by the Congress of legislation which will (1) impose a uniform tax on the employers to whom the act is applicable, beginning with the year 1936, and (2) create machinery for participation in the administration of unemployment compensation.

The tax should be imposed upon all employers who have employed four or more employees for a reasonable period of time (any 13 weeks of the taxable year, for example), and should be measured by a percentage of the employer's payroll. By 1938 the rate of tax should be three per cent of the payroll; but in the first two years, if economic recovery has not progressed satisfactorily, we recommend a lower rate, and suggest that the index of industrial production of the Federal Reserve Board may well be used to determine whether the rate in the first and second years shall be one per cent, two per cent or three per cent. We are opposed to exclusions of any specified industries from the Federal act, but favor the establishment of a separate nationally administered system of unemployment compensation for railroad employees and maritime workers.

Against the tax imposed in the Federal law, a credit, up to 90 per cent of the tax, should be allowed for the money the employer has paid to the proper state authority as contributions for unemployment compensation purposes pursuant to state law. These credits, however, should be permitted only if the state is cooperating with the Federal Government in the administration of unemployment compensation, expending the money raised solely for benefits, and is depositing all contributions as collected in an unemployment trust fund in the United States Treasury.

If a state, to encourage stabilization of employment, permits particular industries or companies to have individual reserve or guaranteed employment accounts (such accounts to be kept by the state authority, but with deposit of the funds in the United States Treasury) or allows lower rates of contributions to employers not having such individual accounts on the basis of their favorable experience, an additional credit beyond the amount contributed in a particular year may be granted in the Federal act. We recommend, however, that such credit be allowed in all cases only on the condition that the employer has discharged in full his obligations under the state law and continues to pay at least one per cent into the pooled state fund. Further, such an employer with an individual reserve account before becoming entitled to any additional credit, must have and maintain a reserve equal to at least 15% of his payroll, and an employer with a guaranteed employment account a reserve of 7½% of his payroll; while no additional credit for any reduction in rates payable to a pooled state fund may be allowed until after the state law has been in operation for five years.

To encourage efficient administration, without which unemployment insurance will fail to accomplish its purpose, we believe that the Federal Government should aid the states by granting them sufficient money for proper

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But the control of the employer over the regularity of his operations is most limited, at best, however. It is very different from his control over industrial accidents, within his own plant. Regularity of operations is mainly dependent upon circumstances and conditions over which the employer has little, if any, control; the volume and availability of capital and credit; changes in style and in consumers' demands; tariff changes; fluctuations in foreign exchange; and the myriad other economic factors involved in our complicated economic system.

In some of the more regular consumption goods industries, it may be possible somewhat to flatten the curve of production by stimulating off-season sales, simplifying the line, scheduling production more closely, adding complementary lines, manufacturing for stock and resorting to numerous other expedients. But the management of industry is already fully aware of the business advantages of such stabilization, and already makes every effort to attain it wherever possible.

Regularity of operations in the service industries is entirely outside the control of the individual enterprise. From its nature, no service can be performed in advance of demand. No telegram can be sent until there is a sender who wants it transmitted. Restaurants, hotels, places of amusement, transportation and trucking concerns produce nothing in advance of present demand.

In most of the durable goods industries, regularity of operation is almost entirely beyond the control of the employer. The great bulk of durable goods cannot be made in advance of purchase agreements, because most of such goods are made to order, to perform a given function; and to fit a given set of conditions determined upon only at the time of consumption. A building or a bridge cannot be produced in advance of someone wanting it at a certain place and of certain specifications.

The second argument, that unemployment insurance will tend to maintain purchasing power, is inspired by the same faulty reasoning which underlies the recovery features of the N.R.A., namely, the theory that industrial activity and employment can be stimulated or maintained by raising the general level of purchasing power through an artificial increase or maintenance of wages, or by the payment of benefits to those who are unemployed.

It is, of course, true that our prosperity has rested upon high wages, and a high level of consumer purchasing power. All production, whether of durable or of consumption goods, is undertaken in reliance upon the existence of this fact. Investment in capital goods such as factory construction and equipment is also made only in reliance upon the apparent existence in the immediate future of a steady and reliable market for the consumption goods to be produced by such equipment.

But purchasing power derived from payments out of an unemployment insurance fund is not the kind of purchasing power in anticipation of which new construction will be undertaken.

The existence of a reservoir of purchasing power in the form of an unemployment insurance fund would have not the slightest effect upon activity in the durable goods industries. Since the problem of unemployment lies

almost entirely in these industries, or is directly traceable to unemployment in these industries, it is idle to assert that the creation of a system of unemployment insurance can, through a maintenance of purchasing power, have any material effect in arresting business decline or lessening unemployment in times of depression.

The fact is that practically all durable goods of a consumption character are purchased with credit, or purchased on the reliance on the ability of the purchaser to pay off the debt incurred.

That is why I submit that it is entirely inaccurate to say that if the depression in Great Britain was not as deep as in this country it was due to the fact that they had unemployment insurance in Great Britain.

If you consider the amount of benefits paid under the unemployment insurance plan in Great Britain, you will realize that those payments can in no sense be used for the purchase of anything except the minimum necessities of life.

The third main argument for unemployment insurance is that the granting of benefits as a matter of right is more in accord with social justice and the dignity of the worker than is the grant of relief as a matter of need, be it from private or public "charity."

Obviously, the goal of a society in which security will have been achieved for all is the object of civilization. Whether the present bill is a step toward that goal which does not sacrifice more than will be gained, however, is the question which must be answered.

It is my belief that measures such as the present, of necessity, will force the abandonment of the social system now prevailing in this country.

That is a statement at which some of the gentlemen who have been referred to as the "hot dogs" in Washington, and those who are in accord with them, will sneer. They sneer at any one who states that this measure or any other measure will in the course of time force the abandonment of the system under which we have been living. Then they proceed to say that if it does, so much the better, because the system was not any good anyway.

If the legal principle involved in this bill is sound, and I question whether it is, there is no reason on earth why those advocating old-age pensions, accident insurance, health insurance, and other social insurance measures, cannot with equal right demand that Congress shall impose taxes in this or some other form, and compel the uniform adoption of those laws in the States.

Each additional burden which is imposed upon production and each restriction which is imposed upon the free flow of private capital into industry brings us closer to the point at which all industry must be financed from public funds. Every such step further hampers the play of individual initiative which has been responsible for the magnificent development of this country. Nothing but the certainty of the solution of the problem of unemployment could justify taking a step with such far-reaching consequences as the enactment of unemployment insurance legislation throughout the United States.

The present proposal, however, is far from such a

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administration, under conditions designed to insure competence and probity. Among these conditions we deem selection of personnel on a merit basis vital to success. We also recommend that as a condition, both of grants-in-aid for administration and of the allowance of any tax credits for payments made under any state unemployment compensation act, the state must have accepted the provisions of the Wagner-Peyser Act (Public Employment Service) and provide for the payment of unemployment compensation through the public employment offices established under such act. A grant-in-aid for administration would not create any new burden on the Federal Government, as it would be paid for by the amount of the payroll tax over and above the credits allowed for contributions to state funds.

As an essential part of the Federal law, it should be made a requirement for any tax credits that all moneys collected for unemployment compensation purposes under state laws (including those credited to individual industry or company accounts) be deposited as collected in the Treasury of the United States in a trust account to the credit of the state, to be invested and liquidated as the Secretary of the Treasury may from time to time direct. Withdrawals from the fund are to be made only for unemployment compensation purposes, under regulations to be prescribed by the Secretary of the Treasury. * * *

The plan of unemployment compensation we suggest, is frankly experimental. We anticipate that it may require numerous changes with experience, and, we believe, is so set up that these changes can be made through subsequent legislation as deemed necessary. If we are to wait until everyone interested in the subject is in agreement as to what is a perfect measure before enacting unemployment compensation legislation, there will be a long and unwarranted postponement of action.

We submit that the Federal part of the program should be enacted into law by the Congress at the earliest date possible. This is urgently necessary if the state legislatures are to act in time to permit the legislation to go into effect January 1, 1936. This year, 44 of the 48 states will hold regular sessions of their legislatures. Most of these convened in January and will be in session three months or less. Unemployment compensation in this country will suffer another year of delay unless there is prompt action by the Congress.—*Extracts, see 3, p. 64.*

by Edwin E. Witte

Executive Director, President's Committee
on Economic Security

WITHIN the last two years the realization has come to this country that what used to be called the British "dole" is vastly superior to our own actual dole. The pendulum has swung over completely and unemployment insurance is now in high favor.

There is some danger that unemployment insurance will be launched with altogether too high hopes. It needs to be said that unemployment insurance will do nothing for those now unemployed. It needs also to be said that unemployment insurance is not well adapted to many groups in our industrial population, to say nothing about the agricultural workers, the domestic servants and the self employed. The benefits which can be paid will seem disappointingly small to many who expect a great deal from unemployment insurance. Basing their computations on the assumption of a nation-wide system of unemployment insurance started in 1922, the actuaries employed by the Committee on Economic Security have estimated that benefits of 50% of the average wages with a four weeks' waiting period and a maximum of \$15 per week would have remained solvent on a 3% contribution rate until the end of 1930 only if the maximum benefit period had been limited to 15 weeks. If the fund had been set up to remain solvent until 1933, the maximum benefits period would have had to be limited to 11 weeks. Even such benefits cannot be absolutely guaranteed under any plan of unemployment insurance unless the government is willing to underwrite the system.

The advocates of unemployment insurance must be warned against to liberal benefits and attempts to extend the coverage to all classes of workers who can conceivably be brought under the system. There is no surer way to bring discredit upon unemployment insurance than to arouse hopes of benefits that cannot be fulfilled. In Great Britain the total contribution rate averages approximately 4½% and the maximum benefits period is 26 weeks, which in the case of employees who have not drawn benefits for five years may be increased to 52 weeks. The British system is now self-supporting but only because the depression has lasted so long that half the unemployed have exhausted their benefit rights. Earlier the fund survived only through large government loans, decreases in benefits, and increases in contribution rates. While in this country unemployment was less severe than in Great Britain during the nineteen-twenties, it is not only much heavier now but this also holds true for the entire period since 1920. Seasonal, casual, and part time workers have drawn excessively upon the British fund and there are far more such irregular employees in this country. Unless a conscious policy is adopted of severely restricting the benefits such classes of employees may draw, they will almost surely wreck pooled unemployment insurance funds in this country.

In launching unemployment insurance there will be a great temptation to promise more than actuarial estimates indicate is possible, in the hope that the Government will come to the rescue when the insurance fund is exhausted. That may happen, but is by no means a certainty. In Germany, the government failed to support the unemployment insurance fund and today the contribution rate is 6% and the maximum standard benefit period but six weeks; in Italy cash benefits are paid for only two weeks, after which the insured worker must earn his allowance by work. In a democratic country, the workers probably cannot be treated as ruthlessly as they have been in these countries ruled by dictators; but there is no guarantee

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solution. Despite the fact that about a billion dollars would be raised every year through the contributions into the various unemployment insurance funds, the gigantic reserve which would thus be accumulated would fall far short of taking care of the total burden of unemployment. The payment of benefits under the proposed law would equal not more than between 20 per cent and 25 per cent of the decline of payrolls due to unemployment. The balance must still be taken care of through the ordinary channels of relief.

It is a fair question whether the creation of a vast system of bureaucratic administration and control is justified in an endeavor to attain so comparatively inadequate a goal. But, on the other hand, there is the certainty that private industry could not bear the load which would have to be imposed upon it to accomplish a larger result; and, furthermore, there is equal certainty that as soon as the limitations inherent in the proposed system are recognized, there will be pressure from organized groups for a widening of the coverage, a liberalizing of the restrictions, and an extension of the benefit in amount and in duration which necessarily will entail an increase in contributions.

The experience of foreign systems of unemployment insurance has demonstrated that the financial burden arising from an attempt to apply the principle of distributing benefits as a matter of *right* rather than of *need* is so great that the principle has had to be abandoned in every case of serious unemployment. In actual practice, unemployment insurance, as insurance, has failed wherever it has been tried: what remains being the mechanism of unemployment insurance, devoted, in large extent, to the distribution of State and welfare relief; that is, the distribution of benefits to the unemployed on the basis of need.

I am not attempting to argue whether we should adopt an entirely new social system or not. I merely want to point out that this is one step in the trend which must inevitably force a change in our economic and industrial system.

That is not an alarmist statement, because it does not alarm me particularly. I can earn my living just as well under State socialism, or a State capitalistic system, or a communistic system. I have no fear of that; but I want to point out that that is the real issue which underlies this measure, a measure typical of other measures now being advocated.

In the first place, it is not quite correct to say that European countries got along with this particular system before the war. The fact is that the first system was adopted in England in 1911, and applied only to a small portion of industry, namely, the shipbuilding industry. There was no unemployment insurance system of any importance anywhere before the war.

The unemployment insurance system in Great Britain did not become universal until 1920. Unemployment insurance was adopted in Germany in 1926; and I may say that it failed completely.

In Great Britain unemployment insurance was inaugurated in 1920. Actuarially it succeeded for a few years, and then broke down completely. Now, what do I mean

by saying it broke down completely? I do not mean that the system is not still going on. What I do mean is that it started out on the principle here advocated, a grant of relief, as a matter of right, by an insurance contract to which a man had a claim. As soon as it met the obstacle which it was designed to cope with, it broke down completely and had to be converted to a system of granting relief as a matter of need, which is what we already have in this country.

Benefits were not given as a matter of insurance, they were not given as a matter of right to a person unemployed who should make claim for benefits. They were given, and had to be given, because the cost of doing it otherwise at that time was so great that it would have broken British industry. They were given as a matter of need; the means test had to be imposed, and it is still applicable. They were given only upon a showing that they required such relief. The same thing happened in Germany.

The Germans adopted the system in the face of the evidence of impending breakdown of the English system and they thought they had remedied the defects in the English system. The English Royal Commission had already made its early report which indicated the weaknesses of that system. But the German system also broke down as soon as it met serious unemployment. Contributions had to be increased to 6½ per cent and benefits were reduced from 26 weeks to 36 days, after which time they were not given as a matter of right.

Now, what is the well from which must be drawn these proposed unemployment insurance payments? The well here contemplated is a well which will be fed by payments drawn from a payroll tax. It will be fed by drawing from persons who must pay whether they have profits from which to pay or not. In other words, it must come from an increase in the cost of goods or an absorption of that tax to the extent that it cannot be passed on, and a consequent reduction in production.

This is one of the most important measures that has been before Congress in years. It does not appear so on the surface. In itself it looks innocent enough, compared to the N.R.A. and some of the more conspicuous measures.

The fact is, however, that this bill, if passed, will be the opening gun or the entering wedge for the Federal Government in compelling the states to enter the field of social legislation. It is the first load that will be imposed for that purpose, to be followed, with equal right, by any number of similar measures, which at some point, sooner or later, will bring about the inevitable abandonment of private capitalism. It will compel government, and probably the Federal Government, to finance all industries. The representatives of the "new deal" scoff at that view.

Now, it may be that, as some of the exponents of the "new deal" think, the average man is not intelligent enough to think for himself and therefore should be thought for by the intelligent minority. That may be true, but the idea is not of American origin, anyway.—
Extracts, see 7, p. 64.

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that the law will not be repealed when the funds get into difficulties. To build soundly for the future, it is very necessary to be on guard against over liberality and over refinement at the outset.

A word is also apropos regarding the danger of disregarding the wishes (or prejudices, if you prefer) of either the employers or the employees. Very probably an unemployment insurance measure can be gotten through Congress whether a single employer is for it or not. Similarly, the opposition of labor to employee contributions can perhaps be overridden rough shod. But the violent opposition of either group is likely to mean trouble hereafter.

As realists also we must accept the condition that those responsible for the nation's credit are unwilling at this time to commit the federal government to a policy of underwriting the solvency of unemployment insurance funds. Hard pressed to find money to meet the burdens which present unemployment is occasioning, there is very natural reluctance to sanction any plan which involves expenditures now for the building up of reserves to be used in the future or which represents the assumption of an indefinite liability for expected deficits.

At this point the question will be raised whether it is worth while proceeding in view of these limitations. Already the cry has been raised that we must have further study before acting. This has come from groups very evidently motivated by the hope that if nothing is done this winter the question will be forgotten until the next depression; but it is unlikely that these reactionaries may be joined by some earnest advocates of unemployment insurance keenly disappointed because they cannot have their plan unchanged.

We, certainly, will not get a perfect unemployment compensation system. With wide latitude to the states, provisions are certain to get into their laws which will be found unsound. There is a distinct possibility that after we have experimented with a cooperative federal-state system we will, in course of time, come to an exclusively federal system.

But under the plan suggested we can get action now, which will give us the necessary experimentation to test conflicting theories. While the state legislatures will have to face some knotty questions which would come up in Congress, there is the great difference that the date of the coming into effect of the federal tax measure sets a definite limit to the debate, as few states will want to have their employers taxed without their employees getting any benefits out of the tax receipts. Further, it is very unlikely that all states will reach the same conclusions on the most important controversial issues, so that there is much less likelihood of a feeling of bitter hostility by either employers or employees.

Forty-four state legislatures will hold regular sessions in 1935, most of them beginning in January. Ten states have interim unemployment insurance committees either created by their last legislatures, or appointed by their governors, and a majority of these commissions have recommendations for legislation.—*Extracts, see 5, p. 64.*

by William Green,

President, American Federation of Labor

MORE than three-fourths of our population are dependent upon jobs for a living and are in distress within a very short time if the job is lost. This latter group does not have large enough incomes to lay up reserves for the emergencies of life, such as major illnesses, accidents, business failures, unemployment, old age. Society has to help individuals through the problems developing out of these emergencies. In giving relief we followed for a long time the haphazard policy of leaving the needy to find some individual able and willing to help them, but as we come to understand that the emergencies were usually completely beyond the control of the individuals, as we faced the issues and their implications, we realize that society must assume its obligation and put into effect a public policy for insurance against suffering due to such emergencies. Wage earners believe reserves for wages for the unemployed should be provided as part of our public policy.

For three-fourths of our people in the United States, unemployment is a constant anxiety. Nearly all the industries in which they work are so seasonal in character that even in our most prosperous years millions must expect anywhere from 1 to 6 months' unemployment, or even more.

Records from our trade unions show that in 1928 13 per cent of our entire membership were out of work for at least 6 months (that was in 1928), and in 1929, 11 per cent lost 6 months' income.

The immensity of this problem of seasonal unemployment appears when we consider the actual number affected. According to a careful estimate of unemployment each month in 1929, prepared by the Cleveland Trust Co., we find that even in our most prosperous year over 1,000,000 workers lost 6 months' work and over 2,000,000 lost 3 months.

These men and women, or the most part, are living so near the margin of subsistence that there is never enough to lay by in savings. Unemployment for even a few months can mean only one thing—hunger and want. The average wage in all industries, of which we have records, was \$28 per week in 1929. This is by no means a saving wage for a family, and millions, of course, earn far less than this. They have to live from hand to mouth and when unemployment comes children are undernourished, family upkeep is neglected, and debts accumulate.

Records for a few industries show this seasonal unemployment in a striking way. In building, for instance, where we have trade union records covering the most prosperous recent years—1928 and 1929—unemployment never fell below 16 per cent of the membership, and at least 25 per cent were out of work for 6 months or more.

In 1930, a year when unemployment was no greater than it often is in minor business recessions, 25 per cent of the clothing workers were unemployed for 6 months; that is, one quarter of the clothing trades' workers lost half a year's income.

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by Merwin K. Hart

President, N. Y. State Economic Council

THE New York State Economic Council is an organization of members throughout the State of New York. We have members in every county, and our object is to improve economic conditions and to stimulate employment, believing that if that can be done all of the other benefits we desire will flow from it.

The proposed unemployment insurance bill tends to make many people feel a greater reliance on the Government. What is needed to bring us out of this depression is for the greatest possible number of people to know fully that their best reliance is still on themselves.

I happen to be interested in a small business concern employing a few hundred people, which has been carrying on for years, paying no dividends whatever to its stockholders, either preferred or common, but all the time giving employment. But I happen to know that at the present time the management of this company is still confident they can carry it through, and while that confidence is being maintained, that company, I repeat, is continuing to give employment to some hundreds of people. But they are still confident they can carry it through. And yet, they have been in the position where, to increase substantially the burden they have to bear, such as this would do, might be enough to put that company out of business and to make unemployed those hundreds of people now receiving employment.

I have in mind a concern in the State of New York about which I know something, which has been carrying on for some years past paying no dividends, but paying wages, carrying on solely because their employees, to the number, again, of some hundreds, have been with them in most cases more than 10 years, and in many cases more than 20 years. And in order to carry them on, the officers of both of those concerns have been for some years past drawing no salaries whatsoever. They are not, moreover, alone among employers in the United States by any means.

As a matter of fact, we have today, I maintain, widespread unemployment insurance in the United States in these large corporate surpluses of employers upon which we have been drawing to pay wages during the depression, and this is one of the great reasons why they have been accumulated, to bridge over these depressions which always have happened in the past, and which perhaps will always happen to a greater or less extent in the future.

It is our belief that a majority of employers, probably a large majority of them, have been running in the red on their current operations for some time, and still are. Many of them have dipped heavily into accumulated surpluses; some of them have wiped out their surpluses and have been dipping into their capital.

Some weeks ago a man came to see me in New York, an employing printer who had had a successful business for 20 years. He had reached the point where he told me he did not know how he could keep on more than 60 days longer.

He employed a relatively small number of employees, a dozen or 15. He mentioned the fact to me that the

wages of some of them, I forget how many, were about \$60 per week.

He told me that he himself, after having used up his life insurance, and making other arrangements to cash in on whatever he could in order to keep the business going and to keep his men employed, had been able during the year 1933 to draw out an average of only slightly over \$13 a week for himself and his family to live on.

What employees of that kind of employers need, and I submit that illustration may be multiplied by literally hundreds of thousands—what the employees of employers of that kind need is not such a measure as this, which would require large burdens on their employers. They need to have the burdens removed from their employers, so that those employers may get on their feet and go on to higher and better economic conditions.

The greatest assurance to the employee of good wages and of proper working conditions is for the employer's business to be reasonably prosperous.

It is true that the vast majority of employers cannot stand any additional taxes, and if they have to do so many of them will be going out of business altogether, with the result that more and more people will become unemployed.

In the second place, this is one of a number of movements designed to give greater security to the working people. Security is, of course, desirable as an abstract proposition.

But as a practical matter, not even the Government can guarantee security to all the people, because the only way by which the Government can get the means wherewith security can be guaranteed is from the people themselves, or from some of them.

The Government is trying to add to the income of the farmers by increasing the prices of what the farmer produces. This bill would tend to offset that by increasing the cost, as other measures proposed have done, of the things for which he must pay.

This bill will lead to an increase in bureaucracy in order to administer the act. There would have to be a great host of field representatives to check up the laws of 48 states, and to insure compliance with those laws.

Much is said in the headlines of the newspapers about the unemployed, and deservedly; but not enough is said about the employers who have kept their men and women workers on, even though they have been for a long time deep in the red themselves.

Our last objection, on principle, is that it is an attempt to foist action on the states in a matter with respect to which, apparently, the Federal Government is unable under the Constitution to act directly itself.

I submit, with as much earnestness as I can, that we oppose the principle, especially at this time, of taxing employers for giving employment.

There is probably no greater need at the present time than for opportunity of employment. Through a long period in our country both law and public opinion reflected the universal approval and the good will felt toward those capable of giving employment to men and

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Green, Cont'd

by Abraham Epstein

American Association for Social Security

Seamen and longshoremen are another group for whom long periods of unemployment have always been part of the usual course of work. In 1930, union records show that nearly 30 per cent of our membership in water transportation trades lost 6 months' work.

In motion-picture theaters, stage employees and attendants are also reporting to us a very high level of unemployment. (That seems rather strange, but it is nevertheless true.) In 1930 there were never less than 20 per cent out of work, and unemployment for 3 months of the year ranged between 28 and 31.5 per cent.

This is the story shown by our union records. The Census of Manufactures tells the same thing in a different way. For instance, records for 1929 for the automobile industry show that only 60 per cent of the wage earners had a full year's work. Out of the 471,000 workers required for the 6 months of highest activity, 157,000 were dropped from the payrolls for anywhere from 1 to 6 months. This was in the industry's most prosperous year.

Records for 1929, in other industries, show that thousands lost anywhere from 1 to 6 months' work; in women's clothing, 28,000; cotton goods, 23,000; foundries and machine shops, 38,000; steel, 50,000; and lumber, 40,000.

Thus even in prosperous years there is a large reservoir of unemployed, who, for one reason or another are temporarily without work. Their number rarely falls below 1,000,000 and it often exceeds 2,000,000. In depression it may reach five or ten million.

To provide an income for these workers until they are able to find employment, the American Federation of Labor believes that wage reserves should be built up under Government supervision. Business has established the practicability and the wisdom of creating reserves to take care of obligations which are an uneven charge on the industry, such as depreciation, dividends on capital investments, redemption of securities, purchase of new machinery.

The same reasoning applies equally to returns on the investments which wage earners have in industry. Labor is an essential element in production. Production cannot be carried on without workers. These workers put their time, their abilities, their responsibility, their very lives, into the day's work. That investment gives them a claim on the industry to which they are attached which constitutes an investment in their job. To meet their obligation to the workers attached to their payrolls, industries should accumulate reserves to meet their payments to their employees at such times as wages are not provided from current income.

Not only does this principle rest upon justice to wage earners, but it is essential for the maintenance of economic business structure of which any company is a part. The business level depends upon those who buy. Prices of commodities, services, real estate, and so forth, depend upon available purchasing power. If business can be assured of purchasing demand freed from these irregularities due to unemployment which deprives large groups of income, retail business and at least production of consumers goods, can avoid sudden drops in activity which in turn throw many others out of jobs.—*Extracts, see 7, p. 64.*

UNDOUBTEDLY, the most successful system of unemployment insurance—and to my mind the best system, as a matter of fact, perhaps the only real system of unemployment insurance—that exists anywhere is the British system of unemployment insurance. It is at present the most successful, the most thorough, and today the most plausible example for the United States, and, therefore, one that can teach us the best lesson.

Our fear of the so-called "British dole system" has not prevented us from introducing into this country the most degrading and inefficient system of doles ever known.

No matter how much we attempted to shift our responsibilities, we were forced during the peak load of relief, in the spring of 1933, to support a total of 4,560,000 families approximating 20,000,000 persons, or one-sixth of the population of the United States through unemployment relief from public funds.

Instead of taking advantage of the modern method of unemployment insurance, with employers and workers making regular contributions, we have merely perpetuated the antiquated, incompetent, and haphazard 3-century-old poor relief system which, in the words of the President of the United States, "we might just as well call frankly a dole."

I should add that it is the worst kind of a dole.

Moreover, our system has actually proved far more expensive than the British plan. Our total public relief expenditures in 1933 are generally estimated to have amounted to between \$900,000,000 and \$1,000,000,000, not to speak of the \$300,000,000 appropriated for the Federal Surplus Relief Corporation. It is a fairly conservative estimate to say that we spent about \$1,000,000,000 on public relief in 1933.

But while we were following the most degrading system of doles, the British Government for over 20 years has followed a system of self-respecting insurance to which employers, employees, and the State have made regular contributions. Although the British Government in 1933 took care of a much larger proportion of her unemployed population than we did, and granted relief at least twice as adequate as the average relief dole in the United States—and in purchasing power, I should say, perhaps three times as adequate—the total expenditures in Great Britain did not exceed more than approximately \$300,000,000, which, on the basis of our population, approximated \$830,000,000. In other words, if we had a system such as the British plan, we in 1933 would have been able to take care of a larger proportion of unemployed persons, on a much more adequate basis, and, at the same time, save some money for our taxpayers.

Our relief system has actually proven more expensive, in dollars and cents, let alone in human tragedy, than the British system of unemployment insurance.

But even more important is the difference in results attained by the British policy of insurance and our policy of degrading doles. The number of unemployed has even

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Hart, *Cont'd*

women who needed jobs. Yet, the imposition of this tax would be a complete reversal of that attitude. It would indicate either that employment is held undesirable and should be discouraged, or else it could properly be considered as an attempt to penalize unemployment.

In conclusion, I want to say I believe that this bill might, if enacted, tend to hold back the recovery that I believe is under way at the present time.—*Extracts, see 7, 64.*

by Noel Sargent

Secretary, National Association of
Manufacturers

INDUSTRY desires a solution of our unemployment problem both from the angle of reducing unemployment, and that of providing relief to involuntarily unemployed persons who are both able and willing to work. But we believe that sound solution of such problems must be based upon adequate knowledge and not merely upon a commendable desire to help our fellow men. We believe that industrialists and legislators and the public as a whole must not be over-persuaded to accept a proposed solution merely because it sounds plausible and promises to accomplish the ends we all desire. The danger is that we may accept something which not only cannot deliver what it promises, but which may actually result in either creating new evils or in making permanent existing evils connected with the unemployment problem.

Industry is ready, I believe, to give approval to the adoption of a sound solution. The fear of a wrong solution and the unpredictable effects of such a program are today serious deterrents to the forward planning by business which is necessary to recovery.

I shall now briefly review some of the major points upon which it seems to me the most careful consideration is necessary. In the first place it must be obvious that the proposal to place a tax on payrolls of from 2% to 5%, as suggested in various proposals, is very certainly a deterrent to business, even though such burdens might not actually take effect as soon as the law is enacted.

When we add to the proposals of a 2-5% tax on payrolls through unemployment compensation funds, additions of at least 11% to manufacturing payrolls through such measures as the proposed maximum 30-hour week for all industries, we see very definitely one reason why industry as a whole is unable to make future commitments, which are necessary for real recovery.

Another problem which certainly needs further study before being enacted into law is the proposal to establish a Federal system of compulsory unemployment compensation insurance or reserves under which the Federal Government will determine the various standards which must exist in state legislation. Such a system may prove desirable, but there are dangers involved which must not

be overlooked. We saw in our national prohibition system the failure of attempts to establish a national standard in this field without reference to the varying desires and needs of different sections of the country, the racial characteristics and background of sections of our population, and the widely different conditions in rural and urban areas.

More recent experience under the N. I. R. A. codes likewise demonstrates the great difficulty of making any fair application of national standards to the greatly diversified conditions in the industries in the several states growing out of differences in size, location, stage of industrial development, type of operations and ability to shoulder new burdens. There is, moreover, danger that unless any plan, either Federal or State, which may be adopted, is founded on thoroughly sound principles it may result in actually increasing unemployment, not only in abnormal times, but more particularly during normal periods.

It may, for example, make it advantageous for the employer to increase the number of temporary workers employed and thus reduce the number of full time workers who would be entitled to receive payments when unemployed. It is evident likewise that such proposals, unless very carefully devised, place a tax penalty upon the employer every time he adds to his payroll by either increasing wages or adding new workers. There is, furthermore, the possibility that in some employees the desire to work steadily may be eliminated or reduced when it is known that partial pay can be received for not working.

A further danger is that compulsory unemployment insurance and reserve legislation may tend to stabilize in our economic system factors which create unemployment, tending by their very nature to make unemployment permanent in certain industries. When it is impossible to adjust wages to changes in the general price levels and the purchasing power of people as a whole, then the result is to increase unemployment in the industries in which wage scales are maintained at rigid levels. The tendency of compulsory unemployment compensation laws is to increase the rigidity of wage scales by establishing a legal right to compensation payments when unable to find a job at the arbitrary wage rate established by the union or some other authority.

In addition to the tendency to maintain artificial wage scales another serious effect of compulsory unemployment compensation laws may be to increase unemployment by preventing necessary economic shifts of workers from industry to industry. Thus practically all existing unemployment compulsory compensation laws permit a worker to receive payments as long as he is unable to find work at exactly the same type of job on which he has formerly been employed. This naturally encourages workers to stay in industries in which there is no longer any permanent chance of normal full time employment.

We find, also, that maldistribution of industries is subsidized by compulsory unemployment compensation laws. Industrial establishments whose existence from a strictly economic standpoint are not justified and who are un-

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Epstein, *Cont'd*

today not declined appreciably in the United States. Were it not for the stimulus given through the P.W.A. and C.W.A., there are few indications of a truly increased employment, despite all the efforts of the N.R.A. On the other hand, the British unemployed declined by about 700,000 or approximately by one-quarter during 1933, and their number is steadily decreasing. Britain is definitely on the upgrade and the number of unemployed is declining every week.

Moreover, the British system of social insurance has upheld the English index of production to a higher point than that of any other country during the past 4 years of depression, while our index of employment has declined to a lower point than that of any other nation. The physical volume of production, for instance, taking 1929 as 100, declined in Great Britain to only 84.1 in the middle of 1932. In Germany the index declined to 56.9 and in France to 67.3. But in the United States, production during the same period fell to the unprecedented low point of 51.3, which is about one-half.

Indeed, British industries manufacturing for home consumption have been relatively stable even in the worst 2 years of the depression, in 1931 and 1932. In such industries, for instance, as electric wiring and contracting silk and artificial silk, the electric cables and lamps, electrical engineering, printing and publishing, motor vehicles, bread, cakes, and so forth, all the industries that manufacture for the home market, the index of employment in Great Britain remained at practically 100 per cent, or even higher in 1932, in the worst year of the depression, than it was in 1931.

In other words, the English market, the home market, was maintained at practically 100 per cent, whereas the index in its exporting industry, although that is where England was affected mostly, even in that case it did not fall to as low a point as it did in the United States. Why did this difference occur?

The fact is that England had a depression for about 6 years longer than we did. The fact is that England depends upon the foreign market much more than we do. Whereas with us only about 10 per cent of our goods are exported, England exports about 30 or 40 per cent of her manufactured products. Yet despite the fact that England suffered a depression for over 10 years, despite the fact that England depends upon her foreign market much more than we do—despite all these things, the index of production in England was kept at a much higher level than that of any other country, and especially much higher than in this country.

What have been the reasons for that? The reasons are, in effect, that the wide system of social insurance, which England has experienced for the last 30 years, has made available in England purchasing power which prevented its unemployment from reaching the appalling levels reached in the United States.

Thus the American people have not only been misled about the costs of the present chaotic system of relief doles to the American taxpayers, but even more untruthful has been the inspired propaganda to the effect that an adequate system of unemployment insurance adversely affects industrial production.

The British system of unemployment insurance stands out not only as a great humanitarian undertaking, but it is universally acknowledged in England that it has also proved of the utmost help to British industry and production. Despite its more difficult problems, Great Britain's unemployment insurance plan has saved that nation from descending to the depths of depression experienced by this country and other countries. Far from being harmed by her expenditures on unemployment insurance, the money thus disbursed has given increased purchasing power to the English people and prevented production from falling to the low levels experienced in this country.

The wide system of social insurance has enabled Great Britain not only to augment internal purchasing power, but to temper the depression in other ways as well. By drawing a considerable share of the cost of social insurance from taxes on inheritances and high incomes, over-expansion of credit and industry was prevented and the insensate boom which characterized our period of prosperity avoided.

Money was transferred from unnecessary investments and idle savings to supply actual purchasing power to the unemployed, the aged, the widows, and orphans who would otherwise have been unable to buy anything, thus cushioning the shock of the depression. By the building up of reserves, England diverted funds from useless speculation of good times to essential expenditures in bad times. Finally, by establishing security and lessening the competition for jobs at any price, wage rates have been maintained almost intact, thus assuring full purchasing power to those who continue at work.

Perhaps I ought to call attention to this very important fact: That whereas our wage rates have declined by at least 50 per cent or more, and our actual wages have probably gone down from \$1,400 to \$800, England's wage rates from 1924 to 1933 have actually gone up rather than down, because they did not have the competition for jobs, with work at any price, as has been the experience in this country.

For many years a great deal has been said in this country about the British dole encouraging idleness, and that the unemployment insurance system has eliminated all desire for work on the part of English workers. No greater falsification has ever been made about any country or any people, and every Englishman is justified in resenting it deeply, and he does resent it very seriously.

From the very beginning the statistics of the unemployment registers have belied the notion that men and women in England prefer living on the "dole" to working. It cannot be done, even if they wanted to, because before an unemployed person can receive his weekly benefits he must have reported daily to an employment exchange for work and must accept work within his capacities and training whenever it is available, or otherwise he cannot possibly get the benefits.

The administrative requirements are rigorous and the overwhelming proportion of the unemployed receive benefits for no longer than 4 or 5 weeks at any one time.

One of the most frequent criticisms of the British system is the criticism that once a man gets on the unemploy-

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Sargent, *Cont'd*

able to provide more than intermittent employment, may be enabled to continue in operation when compulsory unemployment compensation legislation provides payment to workers in a community when the local industries are unable to employ them, thus insuring such industries a supply of workers whenever they want to operate for a short period.

There are, moreover, certain relationships of compulsory unemployment compensation laws to the workers of the United States which during the last few months have received practically no attention.

In the first place, when we put an additional tax upon the employer he is naturally going to try to find ways of reducing other expenses to make up the increased cost. As an example of what this might mean, we find that at the end of 1933 there were nearly 4,400,000 employees protected by group life insurance policies, while over 1,200,000 workers were insured against accident or sickness, in addition to hundreds of thousands for whom employers have provided old age pensions. There will be grave danger that everyone of these measures which are being financially supported by employers today will be abolished, if additional tax burdens upon payrolls are added, such as those that are now proposed on compulsory unemployment compensation. This possibility should be fully realized.

We have now briefly considered some of the relationships of the compulsory unemployment insurance or reserve legislation to industry and to wage earners. Let us now briefly consider what the effect might be upon the consumer. It is evident that so far as possible industry would endeavor to add the extra burden involved in compulsory unemployment compensation costs to the prices charged for its products. We should note in this connection that experience with workmen's compensation in this country and social insurance legislation in foreign countries indicates that while the first costs imposed upon industry are usually comparatively small they tend to increase rapidly, thus resulting in further increased burdens which will tend to be passed on to consumers. It is highly important in our national economy that we avoid measures which will further increase the disparity between the prices of agricultural and manufactured goods by increasing the prices of manufactured goods the farmer must buy. Compulsory unemployment insurance and reserves by imposing additional costs upon industry will still further handicap the farmers of the country in their effort to increase the proportion of farm income to total national income.

An additional problem to be carefully weighed before any law is enacted is that of providing a thoroughly sound administration. Consider for a moment the statement of President Howard of the International Typographical Union:

"If you will work out in your mind a practical system of Administration of unemployment insurance, with the political system that exists in the United States, I believe you will realize that in such a system there is at least the possibility of erecting the most powerful political machine that has ever been known in any country."

Much of the present support for enactment of compulsory unemployment insurance or reserves legislation is apparently due to some intangible belief that such enactment would help out in the present situation. It is obvious, however, that no plan which might be enacted now can pay benefits for several years. It is not necessary therefore to enact any plan hastily. We must continue to provide relief to all those unemployed, who are willing and able to work and this necessity would not be alleviated in any way by the present enactment of compulsory unemployment insurance or reserves legislation. It may be pointed out that in England a Special Royal Commission studied the subject four years before any form of social legislation was enacted, and that after twenty years of actual experience it took the Royal Commission two years of thorough investigation before it felt able to make sound suggestions for reform in the unemployment insurance system, which had so badly broken down in so many respects. We must be sure that any legislation enacted in this country is on a thoroughly sound basis to start with, because foreign experience amply demonstrates the enormous difficulty of making constructive changes after legislation is once on the statute books.—*Extracts, see 8, p. 64.*

by James L. Donnelly

Vice-Pres. Illinois Manufacturers' Assn.

PROFONENTS of this measure represent that the payroll tax contemplated will be uniformly distributed over all employers and that, accordingly, the employer will be in a position to pass the tax on to the consumer and that, consequently, the burden will be equally distributed and no competitive advantage will result. This is academic reasoning not substantiated by the practical experience of productive enterprise. The ability of a manufacturer to pass on to the consumer any element in the cost of production or distribution is necessarily limited by the willingness of the consumer to buy. If the cost of a given article becomes unduly high the consumer will either look for substitutes or reduce the amount of his requirements. Moreover, some employers are better equipped financially than their competitors to absorb additions in the cost of production or distribution. The universal experience of manufacturing industry demonstrates that uneconomic increases in the cost of production eventually result in a decrease in consumption, with a resulting increase in the opportunities for employment.

This measure, designed to relieve unemployment, would in actual operation, tend eventually to aggravate unemployment. Industry in Illinois has cooperated generously with the recovery program, although conformity to many of the mandates of the National Industrial Recovery Act and other governmental agencies has imposed many un-

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A Glossary of Unemployment Insurance Terms

Actuary—The computing official of an insurance company, whose profession and business is to calculate, mathematically, insurance risks and premiums.

Benefits—As used in unemployment insurance discussions, benefits are the sums of money paid to one out of work. Insurance benefits are the sums paid from insurance funds. Extended benefits are extra benefits paid to an insured worker who remains out of work for a period longer than that covered by his insurance benefits. As a rule extended benefits are paid by the Government in countries having compulsory unemployment insurance, the money coming from special relief funds and not from insurance funds.

Compensation fund—A fund from which payments are made to compensate one for loss. A compensation fund may be set up to pay compensation for loss of employment, injury, illness, etc.

Compulsory unemployment insurance—A system of insurance against unemployment established by law under which workers in specified classes are automatically insured, the employees and generally the employers being required to contribute (usually a percentage of their wages or payroll) to the cost of such insurance. Frequently the Government also contributes.

Contributions—As used in unemployment insurance discussions, contributions and premiums are those sums paid into an insurance fund, either by the Governments, employers, employees, or all three.

Coverage—The application of an unemployment insurance system. By coverage of a system is meant the class or classes of employees covered.

Dole—Webster's New International Dictionary defines "dole" as "a distribution; a dealing out, especially of gifts of charity."

Employment guaranty—A guarantee to furnish employment as distinguished from unemployment benefits or other payments made to the unemployed. Some American firms have systems whereby they guarantee work to all employees who have been continuously employed by the firm for a certain length of time. Some advocates of a national security plan propose that when a worker loses his job in private industry and cannot find another, he be guaranteed work on some Government project.

Excise tax—An inland duty or impost levied upon the manufacture, sale or consumption of commodities within the country. (Webster.)

Exemptions—As used in unemployment insurance discussions, the term "exemptions" refers to those classes of workers not included in the coverage of the unemployment insurance systems.

Extended benefits—Under the British unemployment insurance scheme, an extended benefit is the benefit paid by the Government to an unemployed person who was normally employed in an insurable employment, but had made an insufficient number of contributions or even no

contributions at all, provided he was genuinely seeking work and unable to obtain it. This provision has always been regarded as temporary.

Insurance—A system which, for a consideration, guarantees against loss or damage from a contingent event, such as death, invalidity, accident, unemployment, etc.

Insurance fund—A fund out of which insurance benefits are paid.

Payroll tax—A tax or percentage taken from the payroll of an employer. Under the Administration's unemployment insurance plan the payroll of every employer in a state passing an unemployment insurance law in line with the Administration's plan, would be taxed 3 per cent a year to raise the unemployment insurance fund. Thus, if a firm spends \$100,000 a year for wages and salaries of its employees, that firm will pay \$3,000 to the Federal Government, which will then return 90 per cent of the tax, or \$2,700 to the state agency set up to administer the insurance fund, to be used for the payment of benefits.

Pool—In unemployment insurance plans a pool is a single reservoir of insurance funds from which all unemployed benefits are drawn, as distinguished from a system of segregated funds, under which each industry or class of industries sets up its own funds for its own use. Under the pool system all contributions go into a single, central fund and are redistributed as benefits among all classes of insured employees.

Premium—The contribution made to an insurance fund.

Reserve funds—Funds reserved for a specific purpose, as insurance funds.

Reserve Segregation—See Segregation.

Segregation—Segregation funds—insurance funds set apart to be paid out to definite groups of insured employees. Under some of the suggested unemployment insurance plans, funds collected from the employers or employees, or both, of a given industry, may be paid back in benefits only to those employed by that industry. Under this plan, for example, funds collected from the employers and employees in automobile manufacturing concerns could be drawn on only by employees of those concerns and not by employees of other types of manufacturing concerns.

Sick benefit—A specified amount paid at stated intervals by an insurer or employer when a person is incapacitated for work by temporary illness, generally after a specified number of days as a waiting period.

Subsidy—Financial aid, as from the Government.

Superannuation—A retiring allowance or pension.

Transitional benefits—In Great Britain, the same as "Extended benefits." (See "Extended benefits.") In other countries benefits paid during a transitional period.

Unemployment benefits—The amount paid, under an unemployment insurance system, to an insured worker when he has been out of work for a certain length of time and is unable to obtain employment, and has fulfilled certain conditions.

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Selected from a New Reference List Compiled by
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The 74th Congress « « Now in Session

Duration—January 3, 1935 to January 3, 1937. First Session Convened January 3, 1935

In the Senate

Membership
Total—96

69 Democrats
1 Farmer-Labor

25 Republicans
1 Progressive

Presiding Officer

President: John N. Garner, D.
Vice-President of the United States

Floor Leaders

Majority Leader Joseph T. Robinson, Ark., D. *Minority Leader* Charles L. McNary, Ore., R.

Officers

President Pro Tempore
Key Pittman, Nev., D.

Secretary

Edwin A. Halsey

Sergeant at Arms
Chesley W. Juiney

Chaplain
Dr. ZeBarney Thorne Phillips,
D. D.

In the House

Membership
Total—435

320 Democrats
3 Farmer-Labor

3 Vacancies

102 Republicans
7 Progressives

Presiding Officer

Speaker: Joseph W. Byrns, D.
Member of House from Tennessee

Floor Leaders

Majority Leader Wm. B. Bankhead, Ala., D. *Minority Leader* Bertrand H. Snell, N. Y., R.

Officers

Clerk of the House
South Trimble, Ky.

Sergeant at Arms
Kenneth Romney

Doorkeeper
Joseph J. Simmott

Chaplain
Rev. James Sherà Mont-
gomery, D. D.

The New Congress Gets Under Way

Politics to the Fore

BEWILDERMENT in the House and unres in the Senate are the most notable characteristics of the new Congress.

And, incident to all the proceedings on Capitol Hill, is the far-flung gaze of every member of the House and Senate and every official of the Administration riveted on the Presidential and Congressional elections of 1936.

The bewilderment in the House is due to two causes. In the first place, a large majority of the lower house is made up of men and women who are serving either their first or their second terms.

"New Boys" in the House

Those who arrived in Washington anew as the result of the elections of 1932 have learned a little, but not a great deal about their jobs. Those who came as a result of the elections of 1934 know practically nothing.

And they are being hounded on all sides—by the Administration, by those who call them "rubber stamp" Congressmen, by those who desire to go even further than

the Administration wants to go in the expenditure of Federal funds, and by the stirring taxpayers who are warning against a day of reckoning.

The \$4,800,000,000 Work Relief Bill

So far there has been but one test of the temper of the House. That was the vote on the Administration bill appropriating \$4,800,000,000 for works relief. About all the members of the House knew about the bill was the Administration's announcement that the money was to be spent on public works jobs for the purpose of taking the unemployed off direct relief rolls and putting them on work rolls.

Administration officials appearing before the House Committee on Appropriations were indefinite in their statements, but the committee accepted what few explanations they gave and duly reported the bill.

Grumbling Among the Members

Seven of the fourteen Democratic members of the House Committee on Rules balked at a resolution drawn by the Democratic House leaders providing for one hour's debate on the bill and no consideration of amendments. After a day's wrangling, the leaders gave in, extended the debate limit to three hours and permitted the offering of amendments.

During the debate many members railed against the sweeping powers given the President under the bill. On a viva voce vote an amendment providing that the Presi-

dent should give thirty days' public notice of any expenditure he might make out of the funds appropriated was adopted. But later the leaders moved to reconsider that action and called for a roll call vote. On the roll call vote on the amendment the House reversed itself and the amendment was stricken out.

Opposition to Secretary Ickes

This showed that the majority were willing to go against the President provided they did not have to stand up and be counted. But if their names were to be made a matter of record they preferred not to take a chance.

Part of the opposition to the bill was due to hostility to Secretary of the Interior Ickes who, Members suspected, would have the spending of most of the money. And Secretary Ickes is not popular on Capitol Hill because members of both the House and the Senate feel that he has not been generous with patronage.

But, in spite of a great deal of private grumbling and some outward and harsh criticism of the bill, when it came to the test 329 members voted for it and only 78 voted against it.

The Mood for Spending

The impelling motive, after all, was the feeling on the part of those who voted for the bill that their constituents, including state, county and municipal officials, wanted a shot at Federal relief money.

Wise observers in Washington predicted long before Congress convened that it would be a money spending Congress; that it would vote for any appropriations the President might ask for and would probably think up a few more of its own to add to his.

This prediction was borne out in House action on the Four Billion Dollar Bill. It will be borne out, also, in the Senate, so far as appropriating the money is concerned.

Stubbornness in the Senate

But there are signs that the Senate may be more stubborn about accepting the bill in its original form.

Senators are more jealous of their prerogatives than are members of the House. Only one-third of them will face reelection in 1936. An appreciable number of them are in impregnable positions with their own constituents. A few of them "have it in for" the Administration for one cause or another.

The Administration strategy was to rush the Work Relief Bill through the House as rapidly as possible and get it out of the way, because the White House knew it might strike trouble in the Senate.

How effective the opposition in the Senate will be remains to be seen. The first move was a demand on the part of the Republicans that the Senate Finance Committee hold open hearings on the bill. The next step will be an attempt in committee to earmark various items in the bill to conform to the regular annual appropriation system, whereby every dollar that Congress appropriates is for a definite purpose.

The Supreme Court's Oil Decision

Senators are mindful, more than House members, of the Supreme Court's decision in the oil cases, which was to the effect that Congress had violated its Constitutional authority in conferring certain powers on the President

in the National Recovery Act. The Court attached no blame to the President, but placed it squarely on Congress. While the House is busy with regular appropriation bills it will have a quiet period until the Committee on Ways and Means brings in the Economic Security bill, the status of which is described in the Foreword on page 35 of this number of the *Digest*.

After the Economic Security Bill will come the Bonus Bill, otherwise the House seems destined to remain rather quiet for the next few weeks, except for wrangles over the regular annual appropriation bills.

The Senate, however, is loaded with legislative and political dynamite.

The World Court

American adherence to the World Court is about to be settled. On the eve of voting both sides claim victory. Senator Key Pittman of Nevada, Chairman of the Committee on Foreign Relations, says that he has three votes to spare in favor of ratification. This means that a shift of two votes to the other side would mean defeat of the ratification resolution. Opponents are claiming that Senator Pittman is overconfident and that they will muster the necessary votes on the showdown.

From the political standpoint, keen interest is being shown in the various movements toward going further in radical or liberal legislation than the Administration.

Senator Long, Dr. Townsend and Father Coughlin

At this time the three men being watched most closely are Senator Huey P. Long, of Louisiana, and his "share-the-wealth" movement; Dr. Townsend and his \$200 a month old-age pension plan and Father Coughlin of Detroit and his League for Social Justice.

Senator Long has developed into the leading critic of the Administration. Not only on the floor of the Senate, but also over the radio, he is charging that the New Deal is failing utterly in reducing unemployment and speeding up recovery. His plan, in brief, is to limit all fortunes to \$3,000,000 and to so tax the wealthy that enough money will be raised to give each American family an income of \$5,000 a year.

Dr. Townsend's plan is to tax all business transactions, from the purchase of a package of chewing gum to a real estate or stock transaction running into millions, and thus provide \$200 a month for every citizen 60 years of age and over, with the proviso that each pensioner spend all of his pension each month.

Father Coughlin's plan is based primarily upon inflation of the currency.

Political "Fan" Mail

These three men have proven that they have a combined following large enough to give any politician the jitters.

Senator Long receives by far the biggest mail of any man in Washington, excluding only the President. Recruits to his "Share-the-Wealth Clubs" are pouring in every day. His radio "fan" mail is tremendous.

Dr. Townsend said when he came to Washington at the opening of the session that 25,000,000 had signed his petition. Mail in support of the Townsend Plan is virtually 75 per cent of the mail received daily by the average Senator and Representative.

Father Coughlin's "fan" mail is said to be the largest of that of any radio speaker in the country, although Long

adherents say that the Senator's mail since the Louisiana Senator has taken up the radio in earnest, is rapidly creeping up on the Coughlin mail.

The Nucleus of a Third Party

The point of all this to the political observer is this:

What will happen if some magnetic leader comes along in 1936 and works out a Third Party platform that will draw to himself the combined support of Senator Long, Dr. Townsend and Father Coughlin?

And suppose this leader's program suited, also, Upton Sinclair, the Farmer-Labor party in Minnesota and the Progressive Party in Wisconsin, headed by Senator La Follette and Governor La Follette?

Granted all this, from which of the regular parties would most of the Third Party supporters come?

The answer to the last question is that they would come from the Democratic Party, as organized and led by President Roosevelt. That much is agreed to by both Democrats and Republicans.

Looking to 1936

With these possibilities under consideration one has the whole checkerboard of national politics before him. He can picture three 1936 Presidential candidates on the board—President Roosevelt, representing the Democratic Party; a man to be named representing the Republican Party and a man to be named representing a Third Party.

The Roosevelt problem is to save enough votes among the radicals in the Democratic party and to gain enough votes from the Republican party to insure reelection. Therefore, as soon as he gets his \$4,800,000,000 works relief appropriation from Congress, the President may be expected to adopt a middle ground attitude toward other legislation, designed to win the support of the business interests.

Democratic and Republican Strategy

The strategy is to put himself in the position where, if a Third Party of radical aims should become alarmingly large in 1936, business will be afraid to take a chance on supporting the Republican party, but will turn to Roosevelt as its savior.

Republican strategists doubt the President's ability to get away with this. They say that 14,000,000 Republicans voted against the Roosevelt policies at the height of their popularity in November, 1934, and that nothing has happened or is going to happen within the next year and a half to make them come over to him.

With 14,000,000 votes as a nucleus and a fair, average Republican candidate for President, the Republicans consider that, with a militant Third Party in the field, their chances in 1936 will be excellent.

Watching the Taxpayer

One veteran Republican Representative, beaten in 1932, but executing a "comeback" in 1934, epitomized the Republican viewpoint:

"I voted against the big \$4,800,000,000 relief bill. I know that is an unpopular vote in my district today but I am willing to stake my political future that it will prove popular with my constituents in 1936.

"Unless the Roosevelt Administration can bring about recovery by 1936, it will face a taxpayers' revolt. And when the taxpayers get off the reservation they are going

to make straight for the Republican fold. They will furnish the answer in 1936."

The Republicans charge that the big four billion dollar relief bill is going to be the greatest campaign fund a party ever had, but they are convinced that, even with the ability to distribute relief, the Administration will encounter rough going by 1936.

Administration leaders are fully informed as to what is going on, and the various moves and counter moves in Congress, particularly in the Senate, during this session and the next, will all be made with an eye toward November, 1936.

In the meantime, the regular Congressional grind continues.

Agriculture

Both houses of Congress were deluged on the opening day with bills for further credit relief for farmers. These include bills providing for additional loans to farmers, bills for reducing the interest on loans already made for seed purchase and farm mortgages, and bills to cancel all Government loans to farmers, refinancing, etc.

Gossip around the Capitol is that Congress may not be inclined this year to any further liberalization of farm credits on account of the A.A.A. It is indicated that what with the benefits under the AAA and the huge works fund in the hands of the Administration enough Government money will be spread around the agricultural sections of the country.

What kind of a fight the agricultural interests will make in behalf of these credit extension demands remains to be seen.

A.A.A.

There is no time limit on the operation of the Agricultural Adjustment Act except the life of the "national emergency." Until the President declares the emergency at an end the A.A.A. will remain in force.

There is no indication, according to Senators and Representatives from agricultural sections, that the farmers want to relinquish their cash rental and benefit payments under the Act. Continuation of the restriction of cotton production was approved by an overwhelming vote in the referendum in the Southern States.

But Secretary Wallace and other A.A.A. officials have indicated that, in the light of experience, certain changes in the Act would be advisable in the interests of better administration and when these desired changes have been worked out they will be laid before Congress.

Currency Inflation

On January 17, a currency inflation meeting called by Senator Elmer Thomas, of Oklahoma, author of the Thomas Amendment to the Agricultural Adjustment Act, was held at the Capitol. Represented were the League for Social Justice, organized by Father Coughlin, the Detroit "radio priest"; the "Martians"; the commodity dollar adherents, including Dr. Irving Fisher of Yale; the Committee for the Nation; the Monetary Reform League; the Farmers Union, and various individual Senators including Borah, of Idaho, and Wheeler, of Montana, silverites; Cutting, of New Mexico, Reynolds, of North Carolina, Bankhead, of Alabama, and Smith, of South Carolina.

The meeting adopted resolutions, the provisions of

which will be introduced in the form of legislation. These provisions were:

Immediate payment of the bonus in cash; amalgamation of the 12 reserve banks into one central bank, government owned and operated; detachment of the dollar from a fixed gold value; issuance of currency only by the central bank; remonetization of silver and free coinage at the 16 to 1 ratio of Bryanism; government substitution of Treasury notes for bonds; a permanent equalization fund to regulate the dollar in exchange; attainment and holding of the 1926 price level; investigation of those who hold government obligations for the purpose of "determining and disclosing potential enemies of this nation here or abroad"; paying off of all bank depositors.

The prospects of future inflationary legislation are tied up with the forthcoming decision of the Supreme Court on the gold clause cases, banking legislation and the soldier bonus as well as with the various moves for remonetization of silver.

N.R.A.

As the Digest goes to press Administration officials are still working on a bill for the extension of the National Industrial Recovery Act. The original Act, as an emergency act, covers a two-year period ending June 16, 1935. A new act must be written, no easy matter in view of the conflict of views among the various Government Boards and Code Authorities now administering the Act since General Hugh Johnson's resignation as Administrator last October.

There appears to be a disposition in Congress to extend the Act, with modifications, but until the President's advisers can reach an agreement on what to recommend, Congress will remain waiting. Gossip around the Capitol has it that the Act, in much modified form, will probably be extended for a period of one year only.

Veterans

The cash bonus bill, next in line to the four billion dollar works bill, on the docket of the House Ways and Means Committee was laid aside in favor of the Social Security Bill and will be held back until that is disposed of.

The bill of Representative Wright Patman of Texas for outright payment of the bonus, coupled with currency inflation, and the bill of Representative Carl Vinson of

Georgia, which provides for full payment but does not prescribe a method for raising the money, are both before the Committee.

It is expected that the Ways and Means Committee will promptly report a bill, probably the Vinson bill, since Mr. Vinson is a member of that committee, and that the House will promptly pass it. The American Legion is expected to support the Vinson bill. Everybody concedes that the House will not only pass a bonus bill, but will override a Presidential veto. It is likewise conceded that the Senate will pass a bonus bill. The only question is whether the bonus advocates have enough strength to override a veto in the Senate.

Senator Pat Harrison of Mississippi, Chairman of the Senate Committee on Finance, claims he is assured enough votes to defeat a motion to override a veto, but his claim is disputed by the bonus advocates.

The majority view in advance is that perhaps a compromise will be worked out by which aid will be given needy veterans, but there are many ramifications involved and to make a definite prediction so far in advance as to what the temper of the Senate will be when the bonus bill comes up for final action is somewhat risky.

Water Power Legislation

President Roosevelt announced in his annual message to Congress that he would later send in specific recommendations on water power legislation. His National Resources Board recommended a nation-wide plan for water power development which the President sent to Congress on January 25. Part of his plan is the development of the St. Lawrence Canal. The rest involves the development and Government operation of all available water power resources along the lines of the Tennessee Valley Authority development.

This is the program which is, perhaps, of all, nearest President Roosevelt's heart. It is also dear to the hearts of most of the western progressives in the House and Senate and to many of the Southerners.

The report of the National Resources Board lists the various possibilities for development of the nation's natural resources, including water power. In his message to Congress the President indicated that he would not, at present ask for any further specific water power legislation but that he might spend some of the \$4,800,000,000 works fund for that purpose.



Foreign Voluntary Plans in Operation

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The employers contribute nothing. Each association reports to the Government the amount of the members' contribution and the National Government and the municipalities each contribute half that amount. Thus the combined governmental contributions equal the amount of employee contributions.

Norway—(1906) Beginning in 1890 the Norwegian Central Association of Book Printers set up an unemployment insurance system and were followed by other trade unions until the Government took control in 1906. The present law was enacted in 1915. Collections and administration are in the hands of the Government. Employees, through their unions pay half the cost and the Government the other half.

Poland—(1924) The Polish law, variously amended up to 1933. The system is voluntary except that the Government may order compulsory insurance in establishments employing fewer than five workers. The contributions are made by employers who pay slightly more than 49 per cent; employees, who pay something more than 16 per cent, and the Government, which pays approximately 33 per cent.

Spain—(1931) Unemployment insurance in Spain is administered by the Government. The funds being drawn from Government appropriations, gifts and contributions from various insurance associations. The plan has been in operation since 1932 and is in the process of development.

Sweden—(1934) The Swedish system went into operation on January 1, 1935, and details are lacking. Employees and the Government will contribute to the fund, the former through their trade organizations.

Switzerland—(1909) Insurance funds among trade unions in Switzerland began in 1884. In 1893, a communal fund was created by the City of Berne, and in 1895, by the City of St. Gall. In 1909 a national decree was issued granting subsidies to employment offices. In 1918, on account of post-war conditions the Federal and cantonal authorities joined in appropriating funds for public works, but as their expenditures failed of their purpose, the Government turned to unemployment insurance. The Federal Government laid down certain general regulations but each of the Cantons has a right to legislate as to the classes of workers, age limits, etc. Some of the Cantons have voluntary and some compulsory. In most cases employers, employees and the Government contribute to the fund.

A Glossary of Unemployment Insurance Terms

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Unemployment insurance—Insurance against the financial loss resulting from involuntary unemployment.

Unemployment relief—Gratuitous money allowances, or work, furnished either under organized insurance systems or by public or private organizations to workers in need because of involuntary unemployment.

Wage earner—Workers, usually manual or mechanical, who are paid at short stated intervals—by the hour, day, or week. Includes piece workers.

Waiting period—In unemployment insurance discussions the waiting period is that time which must elapse

after an insured employee has lost his job before he can begin to draw unemployed benefits. The object of the waiting period is to encourage an unemployed worker to look for another job as soon as he loses one.

Workmen's compensation law—A law requiring certain classes of employers to pay specified amounts as compensation to employees injured while in their employ, or to their dependents in case of death, and in most cases providing that employers insure such risks in an insurance company or State fund or give guaranties of their financial responsibility.

Epstein

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ment insurance register, he stays there. The first thing you find out about the system is that that is absolutely wrong, because it is only about 5 or 6 weeks on the average. One group gets on because their industry has a slack season at the time, and when that industry picks up they get off and another group of workers go on. They are constantly shifted, and a man may be on two or three times in a year, but for short periods of time.

During the 7¼ years from October, 1923, to the end of 1930—and these figures are very important—44.2 per cent of the insured never drew any benefits at all, never drew a single cent of benefit during the entire 7 years. In other words, the charge that is made that people just retire on the "dole" is belied right off by the fact that 44 per cent of the people that have been insured have not drawn one penny of benefit in 7 years of depression.—*Extracts, see 7, p. 64.*

Donnelly

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precedented burdens. Productive enterprise, however, cannot, without the grave likelihood of universal paralysis, be subjected to additional legislation involving social reform, particularly when experience and common sense indicate the futility of many of these reform measures as methods for improving or correcting our economic ills.

The best means to accomplish a reduction in unemployment is to adopt a program which contemplates a minimum amount of regulation and legislation and which is calculated to inspire confidence, to stimulate private initiative, and to encourage private enterprise.—*Extracts, see 7, p. 64.*

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- 5—(Witte) Address, Amer. Assoc. for Labor Legislation, Chicago, Dec. 27, 1934.
- 6—(Perkins) Address, National Conference on Economic Security, Wash., D. C., Nov. 14, 1934.
- 7—(Greer, Hart, Deuby, Epstein, Donnelly) Hearings, subcommittee, House Committee on Ways and Means, Mar. 21-30, 1934.
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